



2025 NBI Climate Plan

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Important notice and caution regarding forward-looking statements

Certain statements in this document are forward-looking statements. These statements are made in accordance with applicable securities legislation in Canada and the United States. The forward-looking statements in this document may include, but are not limited to, statements set out in the messages from our management, as well as other statements made about the objectives, outlook and priorities for fiscal year 2025 of National Bank Investments Inc. (“NBI”) and beyond, the regulatory environment in which it operates, its environmental, social, and governance strategy, targets and commitments and the strategies or actions that will be taken to achieve them, including its practices with respect to responsible investment and NBI’s climate plan. NBI may also make forward-looking statements in various other documents and regulatory filings, as well as orally. These forward-looking statements are typically identified by verbs or words, such as “outlook,” “believe,” “foresee,” “forecast,” “anticipate,” “estimate,” “project,” “expect,” “intend” and “plan,” in their future or conditional forms, notably verbs such as “will,” “may,” “should,” “could” or “would” as well as similar terms and expressions.

These forward-looking statements are intended to assist the investors of solutions offered by NBI in understanding NBI’s vision, strategy and objectives related to responsible investment and NBI’s climate plan as at the dates indicated and may not be appropriate for other purposes. These forward-looking statements are based on current expectations, estimates, assumptions and intentions believed by NBI to be reasonable as at the date thereof and are subject to inherent uncertainties and risks, many of which are beyond NBI’s control. There is a strong possibility that NBI’s express or implied predictions, forecasts, projections, expectations, or conclusions will not prove to be accurate, that its assumptions may not be confirmed, and that its vision, strategic objectives and performance targets will not be achieved. NBI cautions investors that these forward-looking statements are not guarantees of future performance and that actual events or results may differ materially from these statements due to a number of factors. Therefore, NBI recommends that readers not place undue reliance on these forward-looking statements, as a number of factors could cause actual results to differ materially from the expectations, estimates or intentions expressed in these forward-looking statements. Investors and others who rely on NBI’s forward-looking statements should carefully consider the factors listed below as well as other uncertainties and potential events, and the risk they entail. Except as required by law, NBI does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time, by it or on its behalf.

The forward-looking statements made in this document are based on a number of assumptions and their future outcome is subject to a variety of risk factors, many of which are beyond NBI’s control and the impacts of which are difficult to predict. These risk factors include, among others, the general economic environment and business and financial market conditions in Canada, including recession risk; the measures affecting trade relations between Canada and its partners, including the imposition of tariffs and any measures taken in response to such tariffs, as well as the possible impacts on our clients, our operations and, more generally, the economy; exchange rate and interest rate fluctuations; inflation; global supply chain disruptions; higher funding costs and greater market volatility; changes to fiscal, monetary and other public policies; regulatory oversight and changes made to regulations that affect NBI’s business; geopolitical and sociopolitical uncertainty; climate change, including physical risks and those related to the transition to a low-carbon economy; NBI’s ability to satisfy stakeholder expectations on environmental and social issues; the need for active and continued participation of stakeholders; the availability of comprehensive and accurate data from third parties, including greenhouse gas emissions; the ability of NBI to develop indicators to effectively monitor our advancements; the development and deployment of new technologies and sustainable products; the ability of NBI to identify climate-related opportunities as well as to assess and manage climate-related risks; significant changes in consumer behaviour; the housing situation, real estate market and household indebtedness in Canada; NBI’s ability to achieve its key short-term priorities and long-term strategies; the ability of NBI to recruit and retain key personnel; technological innovation, including open banking and the use of artificial intelligence; potential disruptions to key suppliers of goods and services to NBI; third-party risk, including failure by third parties to fulfill their obligations to NBI; the potential impacts of disruptions to NBI’s information technology systems due to cyberattacks and theft or disclosure of data, including personal information and identity theft; the risk of fraudulent activity; the possible impacts of major events on the economy, market conditions or NBI’s outlook, including international conflicts, natural disasters, public health crises and the measures taken in response to these events; and NBI’s ability to anticipate and successfully manage risks arising from all of the foregoing factors.

In addition, the assumptions, data, metrics, measurements, methodologies, scenarios and other standards used to develop our assumptions and estimates and to monitor our advances, believed to be reasonable at the time of preparation of this report, may subsequently turn out to be inaccurate. Many of these assumptions, data, metrics, measurements, methodologies, scenarios and other standards, as well as the terminology used by NBI to define certain concepts, continue to evolve and may differ significantly from those used by others and those that may be used by us in the future or that may be subsequently mandated by government authorities or other standard setters. Such evolution and changes could affect the assumptions and estimates used by us and could affect the comparability of the information and data across industries or companies and from one reporting period to a subsequent reporting period, as well as our ability to achieve our objectives, priorities, strategies, responsible investment commitments and targets.

The foregoing list of risk factors is not exhaustive, and the forward-looking statements made in this document are also subject to the risks described in the prospectuses of the NBI Funds and ETFs.

About NBI



145 Investment solutions

→ Complete offering

\$106B Assets under management

→ And growing

62 Partners

→ Best-in-class portfolio management firms

93 Teams

→ Proven portfolio management teams

200 Meetings

→ With Portfolio Managers annually

As of September 30, 2025

Introduction



National Bank Investments Inc. (“NBI” or “we”) is proud to share its inaugural Climate Plan.

It is the result of years of thoughtful work on embedding climate considerations across our organization, from how we oversee Portfolio Managers to the products we offer to the policies and governance structures that guide us.

Climate change is reshaping the world around us.

According to the Intergovernmental Panel on Climate Change (IPCC), “human-caused climate change is already affecting many weather and climate extremes in every region across the globe.”¹ And the impacts are tangible: according to a study,² 56% of Canadian companies surveyed in 2023 reported a hit to their profitability due to extreme weather events.

These risks aren’t just theoretical future risks, they’re material and they’re here today. They affect the companies in your portfolio, and they affect us too. As an investment manager, we are exposed to the systemic consequences of climate disruption. That’s why managing climate-related risks, whether tied to the transition to a low-carbon economy or the need to adapt to new climate realities, is a priority.

ESG is evolving and so are we.

While the conversation around Environmental, Social and Governance (ESG) and sustainability continues to shift, we remain committed to integrating climate-related risks and opportunities into our investment processes. This includes our stewardship activities and the development of a clear, actionable Climate Plan.

Here’s what our Climate Plan covers:

- **Governance**
The structures that enable oversight of our strategy to address climate risks.
- **Strategy**
How climate change is embedded in our 2024–2026 strategic plan.
- **Risk Management**
The physical risks we face from climate change and the challenges of transitioning to a low-carbon economy. This section also explores risks under different future scenarios and the opportunities that come with change.
- **Metrics and Targets**
The carbon footprint of our investment portfolio and a new engagement-based target focused on companies most exposed to climate risks.

We’ll report on our progress annually in our Report on Responsible Investment Advancements because transparency is key to maintaining trust.

¹ IPCC, 2023: Summary for Policymakers. In: *Climate Change 2023: Synthesis Report. Contribution of Working Groups I, II and III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change.*

² KPMG Canada, 2024, July 16: *Canadian businesses worry extreme weather will impact profits.*

Governance



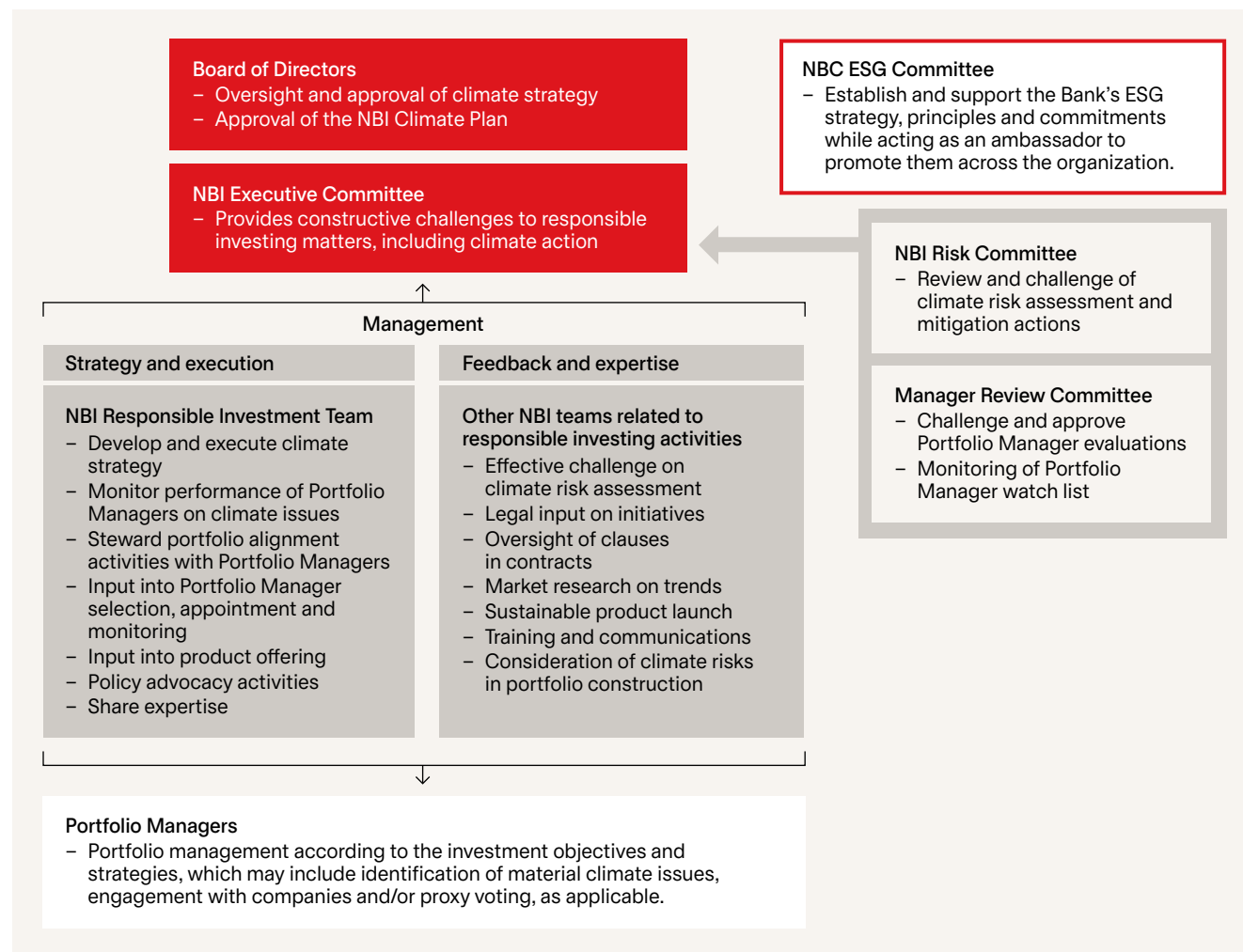
NBI's priorities are developed by the Executive Committee and adopted by the Board of Directors, enabling strategic alignment at the highest level. From there, our Executive Committee oversees the ongoing monitoring of responsible investing activities, including those related to climate.

Our Responsible Investment Team leads the development and execution of our Climate Plan. This includes direct involvement in the selection, appointment and monitoring of portfolio managers and portfolio sub-advisors ("Portfolio Managers"), stewardship activities and contributions to our product offering.

Progress on the Climate Plan is reported quarterly to the Executive Committee and annually to the Risk Committee. The Board of Directors also reviews and approves the climate strategy periodically, maintaining oversight of our climate-related commitments on an annual basis.

This Climate Plan applies to the NBI entity. As NBI operates in an open architecture, the application of this plan varies according to NBI's degree of influence over investment activities of the underlying fund.

Figure 1. Governance framework for our Climate Plan



Strategy



As stewards of vast financial resources, asset managers have the potential to be powerful agents of change, but they also face systemic risks, including those linked to climate change. With over \$100 billion in assets under management (AUM) as of September 30, 2025, NBI has defined its vision: We are committed to working towards a more sustainable financial system. In our recent [Responsible Investment Report](#), we launched our strategic plan for 2024–2026, built around three key pillars that reflect this vision. Our climate strategy is woven into each of these pillars, guiding our actions and reinforcing our commitment to responsible investing.

Pillar 1: Reinforce the relationship of trust between advisors and clients by sharing our expertise and improving our conversations about responsible investment. We aim to raise awareness and deepen our understanding of climate change and its impact on NBI's business and assets.

Pillar 2: Exercise our influential leadership and mobilize our partners, clients, the financial community and regulators to accelerate the transition to a sustainable financial system. We embed climate considerations in our Portfolio Manager selection and monitoring process, stewardship activities, exclusion policy and industry collaborations.

Pillar 3: Respond to Canadian investors' need and appetite for sustainable investing. We continue to grow our product offering to reflect our sustainability approach and meet the growing appetite for responsible investing and climate-focused solutions among Canadian investors.

Risk Management



Risk management framework

NBI has adopted the climate risk management standard established by National Bank of Canada (NBC) to ensure a consistent framework across the organization. This internal standard is built on four dimensions of enterprise risk management: identification, assessment, management and monitoring, and disclosure.

Additionally, climate risks are managed using the same governance structure applied to all risks at NBI, based on the three lines of defence and implicating the business sectors, the risk management team and the internal audit team. This approach enables climate-related risks to be addressed with the same rigour and accountability as other material risks.

Figure 2. Climate risk management framework

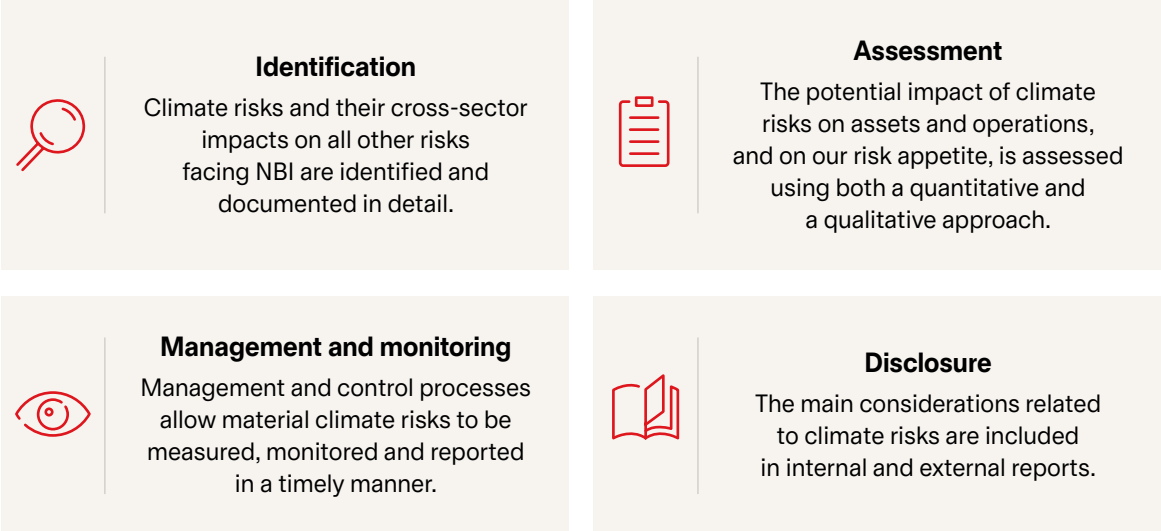
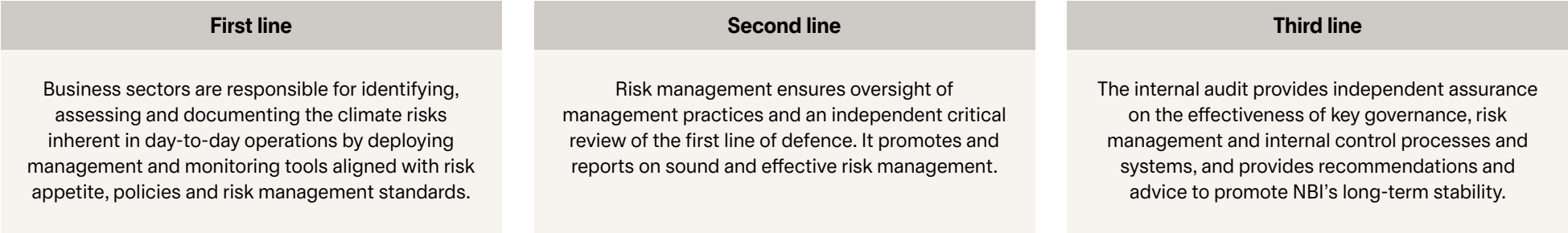


Figure 3. Roles and responsibilities of the three lines of defence



Identification and assessment

Climate risks are typically separated into two categories:¹

- **Physical risks:** Risks resulting from climate change that can be event-driven (acute physical risk) or from longer-term shifts in climatic patterns (chronic physical risk). Acute physical risks arise from weather-related events such as storms, floods, droughts or heat waves, which are increasing in severity and frequency. Chronic physical risks arise from longer-term shifts in climatic patterns, including changes in precipitation and temperature, which could lead to sea-level rise, reduced water availability, biodiversity loss and changes in soil productivity.
- **Transition risks:** Risks that arise from efforts to transition to a lower-carbon economy. Transition risks include policy, legal, technological, market and reputational risks.

Time horizons

We define:

- short term (ST) as less than 1 year,
- medium term (MT) as 1–5 years, and
- long term (LT) as 5–10 years.

Table 1 on the next page provides examples of climate-related risks and opportunities relevant to NBI as well as associated actions for management and monitoring.

For NBI's portfolio holdings, we refer to the **Task Force on Climate-related Financial Disclosures**, which has outlined climate-related risks and opportunities and their potential financial impacts.²



¹ International Sustainability Standards Board, 2023: *International Financial Reporting Standards S2. Climate-related Disclosures*.

² Task Force on Climate-related Financial Disclosures, 2021, October: *Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures*.



Table 1. Climate-related risks and opportunities

Examples of firm-level risks relevant to NBI				
		Potential impact	Horizons	Associated actions
Transition risks	Policy and Legal	Increased regulations around climate strategy, which increases costs, time and resources to prepare and disclose climate strategy. Failure to meet regulatory expectations may lead to financial penalties and/or litigations.	ST, MT	— Maintaining robust governance and oversight on disclosures and monitoring of regulatory requirements — Providing training and raising awareness among key governance committees — Leveraging advanced tools and technologies to facilitate monitoring and transparency
	Reputation	Negative perceptions related to investment decisions on high-emitting sectors that may not meet investor expectations, leading to reduced demand for investment products, outflows and regulatory risks	ST, MT, LT	— Offering training and awareness and educational material to sales teams, advisors and clients to articulate our position on climate change — Offering sustainable solutions to respond to client preferences — Maintaining robust governance and oversight on climate strategy progress, risk exposure and metrics
	Market	Loss of market value of securities held in the portfolio due to climate-related transition risks, leading to poor financial performance and lower investor returns	ST, MT, LT	— Integrating climate considerations into the selection, appointment and monitoring process of portfolio managers
Physical risks	Acute	Greater uncertainty in the economic environment in which monetary policymakers operate, resulting in fluctuations in key interest rates impacting stock and bond markets	MT, LT	— Conducting climate risk-based engagement activities focused on high-impact sectors and integrating climate considerations in our proxy voting — Building on policy advocacy efforts to address the systemic nature of climate-related risks
		Increased severity of extreme weather events negatively impacting the companies held in the portfolio financially and operationally, leading to reduced valuation of investments and/or stranded assets	ST, MT, LT	— Implementing a standardized exclusion policy across the majority of NBI Funds related to the extraction of thermal coal and exploration and/or extraction of oil and gas in offshore Arctic regions
	Chronic	Changes in precipitation patterns and extreme variability in weather patterns, rising mean temperatures and rising sea levels, impacting the companies held in the portfolio financially and operationally	MT, LT	— Harnessing ESG data to inform decision-making and evaluate climate risks — Conducting research on climate scenario analysis to better inform risk management activities
Examples of firm-level opportunities relevant to NBI				
		Potential impact	Horizons	Associated actions
Opportunities	Market	Changing investor preferences for sustainable investment products (both retail and institutional clients) creates new market opportunity	ST, MT	— Offering climate-focused products
	Reputation	Strengthen reputation in sustainability, leading to improvements in brand recognition, employee retention and financial performance	ST, MT	— Embedding a clear sustainability purpose in business strategy



Climate scenario analysis

Climate scenarios provide a window into different plausible futures and are a valuable tool for informing risk management strategies. NBI has conducted a climate scenario analysis exercise to assess the effects of climate risks on long-term market expectations in our white paper “[Climate risks: A variable to consider for better financial decisions](#).”³

Led by our Chief Investment Office, the exercise examined the impact of transition and chronic physical risks on the global Gross Domestic Product (GDP) under different climate scenarios from the Network for Greening the Financial System (NGFS).⁴ When compared to a hypothetical baseline scenario without climate risks, the combined effect of chronic physical and transition risks is projected to negatively impact global GDP, with greater impacts over time. The white paper also used climate scenario analysis to forecast 5- and 10-year equity performance and found only a marginal impact over the next five years, even under the most pessimistic scenario. However, given that multiple studies indicate that an immediate and coordinated energy transition would ultimately be less damaging than delayed action or inaction,^{5,6,7} important questions remained, such as the effect of acute physical risks.

To gain more specific insights into the risks associated with climate change, our team used MSCI to estimate the Climate Value at Risk (CVaR), a measure of possible financial implications of climate-related risks and opportunities, under a range of possible scenarios described in Table 2. This exercise was conducted on an aggregated portfolio of all the underlying listed equities and corporate bonds from NBI investment products. The MSCI methodology uses Phase V of NGFS scenarios⁸ and considers both acute physical risks (associated with tropical cyclones, coastal flooding, fluvial flooding, river low flow and wildfires) and chronic physical risks (associated with extreme heat/cold, wind gusts, heavy snowfall and precipitation). However, the risks associated with these events are only incorporated as isolated incidents and for the locations of the assets themselves. Impacts on a corporate supply chain, shipping routes or the basic infrastructure on which corporations depend are not factored into this analysis. Neither do these scenarios integrate tipping points, extreme risks, second-round effects, or migration and conflict as a result of global heating. Given these limitations, we expected this exercise to be more useful in assessing transition risks as opposed to physical risks associated with NBI assets.

Table 2. Overview of climate scenarios used as described by the Network for Greening the Financial System

Climate scenario	NGFS scenario	Description
1.5°C Orderly	Net Zero 2050 (Orderly)	This scenario limits global warming to 1.5°C through the immediate adoption of stringent environmental policies, enabling us to reach net zero emissions by 2050 and mitigating physical risks.
2°C Disorderly	Delayed Transition	Assumes no additional climate policies are implemented until 2030. Strong policies are then needed to limit warming to below 2°C. Negative emissions are limited.
3°C NDC	Nationally Determined Contributions (Hot House World)	This scenario includes all pledged targets even if not yet backed up by implemented effective policies.

The results of the climate scenario analysis exercise showed that swift policy changes associated with a Net Zero by 2050 transition would create high policy risks for assets and an estimated 11.5% decrease in asset value. Technology opportunities, as measured by clean tech revenues and patent assessments, would be most beneficial under this scenario. The 2°C Disorderly scenario reveals less transition risk on the portfolio assets, possibly because in the scenario, strong policies are only put in place after 2030. The 3°C Nationally Determined Contributions (NDC) scenario is associated with the lowest policy risk related to the energy transition, however a 4.5% decrease in asset value is still rather significant. Moreover, as discussed above, the physical risks associated with climate change would be exponentially worse at 3°C and are not fully captured with this methodology.

³ NBI CIO, 2024, May: *Climate risks: A variable to consider for better financial decisions*.

⁴ NGFS, 2023, November: *NGFS Scenarios for central banks and supervisors*. The data for this analysis comes from Phase IV of the NGFS scenarios.

⁵ NGFS, 2024, November: *Long-term scenarios for central banks and supervisors*.

⁶ OECD/UNDP, 2025: *Investing in Climate for Growth and Development: The Case for Enhanced NDCs*, OECD Publishing, Paris.

⁷ Swiss Re, 2021: *The economics of climate change*.

⁸ NGFS, 2024, November: *Long-term scenarios for central banks and supervisors*. Phase V of the NGFS scenarios.



Table 3. Climate value at risk (CVaR)
See Appendix 3 – Glossary of terms, for more information.

Climate VaR	1.5°C NGFS Orderly	2°C NGFS Disorderly	3°C NGFS NDC	Portfolio coverage
Policy (Scope 1, 2, 3)	-11.5%	-5.4%	-4.5%	89.8%
Technology opportunities	1.0%	0.2%	0.3%	79.6%
Physical	-1.1%	-1.9%	-2.5%	89.5%
Aggregate	-11.6%	-7.0%	-6.7%	N.A.

Challenges

We’re only just beginning to understand the impact that environmental issues will have on markets and the economy. Without fully understanding the caveats of this exercise, one could wrongly assume that an Orderly transition is the costliest scenario. In fact, the IPCC warns that with every fraction of a degree of warming, changes in extremes and risks become larger.^{9,10} Therefore, this exercise should not be considered a cost-benefit analysis for action on climate change. Another challenge is that companies are affected differently by transition risks depending on their sector. Thus, aggregating assets across a portfolio may obscure very high risks in certain sectors. We will continue to research how best to use scenario analysis to inform our risk management processes.



9 United Nations: *1.5°C: What it means and why it matters*.
10 IPCC, 2021: Summary for Policymakers. In: *Climate Change 2021: The Physical Science Basis. Contribution of Working Group I to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change*.



Management and monitoring

Since 2018, NBI has included ESG considerations in its process for selecting and monitoring Portfolio Managers. However, recently we have taken steps to enhance our management of climate risks and opportunities, as part of the strategic pillars highlighted in the Strategy section. Below are the specific actions.

Pillar 1: Reinforce the relationship of trust between advisors and clients by sharing our expertise and improving our conversations about responsible investment.

Robust oversight of disclosure requirements and climate strategy

The governance structure described above implements rigorous processes to continuously monitor regulations and review disclosures and communications to advisors and the public so that they meet requirements. These processes reduce compliance risks associated with the changes to climate policy and reinforce clients' and advisors' trust in our communications. Moreover, oversight of the climate strategy is embedded in the governance structure, monitoring progress, risk exposure and key metrics, which allows us to reinforce trust.

Offering training and awareness and educational material to advisors

NBI provides mandatory training on responsible investing, including climate considerations, to advisors. These initiatives aim to deepen expertise, enhance client service and support the clear articulation of our position on climate change. NBI also offers educational material for clients and advisors to enhance their awareness of responsible investing across a range of ESG topics, including climate change. This material is updated regularly to keep up with industry developments.

Pillar 2: Exercise our influential leadership and mobilize our partners, clients, the financial community and regulators to accelerate the transition to a more sustainable financial system.

Providing training and awareness to the board of directors and key committees

We are taking steps to raise awareness among our board of directors, members of supervisory functions and key committee members about the climate risks inherent in portfolio management. This training may be delivered internally or in collaboration with external organizations, such as the [Canada Climate Law Initiative](#) or [Finance Montréal](#).

Integrating climate considerations into the selection, appointment and monitoring process of Portfolio Managers

NBI considers climate-related risks and opportunities primarily through the Portfolio Manager selection and monitoring process, which is underpinned by a proprietary research methodology called the OP4+ process. This process consists of well-defined criteria of excellence in portfolio management, grouped together under six pillars: Organization, Personnel, Process, Portfolio, Performance and responsible investment approaches. These criteria for excellence in portfolio management are common to all Portfolio Managers on the NBI platform, regardless of the asset class. Portfolio Managers are evaluated on their ESG initiatives and maturity at the firm level, the specific ESG approaches applied to the fund being managed, and whether the ESG approaches used by a Portfolio Manager are consistent with the investment objectives and strategies of a fund, as stated in the NBI Funds and ETFs simplified prospectus (the "Prospectus") and investment management agreement. Regarding matters related to climate, the "+" pillar assesses Portfolio Managers based on certain criteria related to climate change. See the examples described in Table 4. Key metrics are monitored by the Responsible Investment Team on a quarterly basis.



Table 4. Example of rating system for Portfolio Managers

Category	Component	Criteria (examples)	Score
Organization	Climate action plan	— Does the firm have a climate plan? — Does the plan apply to the entire firm? — Is the organization involved in active stewardship?	(1-5)
People	Climate expertise	— Do employees have the requisite climate-related competencies? — What is the level of communication between employees with climate expertise and those who make investment decisions?	(1-5)
Process	Investment decisions and shareholder engagement	— Is there a process to consider climate risks in investment decision-making? — Does the voting rights policy include specific recommendations?	(1-5)
Portfolio/Performance	Carbon metrics and exposure	— Do certain exclusions apply? — What is the portfolio's carbon intensity, carbon footprint, degree of alignment with net zero, etc.?	(1-5)

The NBI Responsible Investment Team engages with Portfolio Managers to share practices and accelerate the transition to a more sustainable financial system. Engagement topics centre on increasing the standard of responsible investment approaches across the NBI network of Portfolio Managers as well as engaging on key position topics, such as climate change. Portfolio Managers who adequately identify, assess and manage climate-related risks are scored higher.

Conducting climate risk-based engagement activities with issuers

Given NBI's role in the oversight of portfolio managers, we made use of an approach that would allow us to manage climate risks and align NBI portfolio assets with the climate transition while meeting the investment objectives of each fund. Inspired by the NZIF from the Institutional Investors Group on Climate Change, we decided to assess the alignment of the underlying portfolio companies held in the NBI Funds and ETFs and develop a plan to increase the proportion of companies that are aligned to a net-zero pathway. Our approach involves the development of a stewardship plan aimed at encouraging portfolio companies to make progress on the criteria underpinning alignment: emissions performance, capital allocation alignment, decarbonization plan, disclosure and targets. To do this, we have enlisted the participation of NBI Portfolio Managers and Aequo, a provider of shareholder engagement services, to conduct engagement activities for a subset of companies in our portfolio based on our exposure and climate risks. Please see the section on Metrics and Targets for more details.

NBI also leverages proxy voting as a tool to engage with issuers. Climate considerations are incorporated into voting practices. For example, NBI has a custom proxy voting policy based on the Institutional Shareholder Services' Sustainability Policy, which applies in cases where NBI acts directly as the portfolio manager. See [NBI's proxy voting policy](#) for more information.

Building on policy advocacy efforts to address systemic climate risks

Finally, much of the companies' actions to align their activities depend on policy incentives. Rather than acting as a passive bystander, NBI has stepped up efforts on advocating for the right policy environment to support the transition to a more sustainable financial system. Our efforts include responding to policy consultations, participating in policy advocacy working groups, signing industry-led statements on key issues, providing input in industry round table discussions and participating in discussions with policymakers or regulators directly. Moreover, NBI is a member of the Collaborative Sovereign Engagement Initiative on Climate Change, led by the Principles for Responsible Investment (PRI). This PRI initiative aims to support government action on climate change, in line with investors' desire to mitigate financial risk and maximize the long-term value of assets. This includes providing support to countries in order to keep the increase in global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit this to 1.5°C, consistent with commitments to the Paris Agreement, where applicable.



Pillar 3: Respond to Canadian investors' need and appetite for sustainable investing.

Offering sustainable solutions to respond to client preferences

Investment funds with an explicit investment objective involving sustainable investment approaches can be an important vehicle to both mitigate climate risks and support the flow of capital to climate solutions. Responding to growing demand from clients, NBI was proud to launch a lineup of Sustainable Portfolios available in all retail branches. The NBI Sustainable Portfolios aim to exclude companies deriving 5% of their revenue from thermal coal extraction, 10% of their revenue from generating electricity from thermal coal and 10% of their revenue from exploration, production, refining, transportation and/or storage of oil and gas for companies in the “oil and gas producers” and “refiners and pipelines” industries¹¹ (see the [Responsible Investing](#) section in the Prospectus for more information). Expanding our offering of investment products with sustainable objectives allows us to shift the percentage of AUM away from assets that may have higher transition risks as well as offer clients the opportunity to invest in portfolio solutions that employ a sustainability lens in the investment process.

Implementing standardized exclusions

Standardized exclusions are applicable across the majority of our publicly offered NBI-labelled Funds/ETFs to the extent that they are consistent with the investment objective.¹² As it relates to climate change, these exclusions aim to exclude from the investible universe companies that generate, from direct involvement, more than 5% of their revenue from extraction of thermal coal and more than 5% of their revenue from the exploration and/or extraction of oil and gas in offshore Arctic regions. Regular monitoring is performed by the Responsible Investment Team using multiple data sources to meet Canadian investor expectations.

Harnessing ESG data to inform decision-making and increase transparency

We recognize the importance of accessing high-quality climate data to effectively monitor our portfolios and action plans, and to support transparent disclosures aligned with our climate strategy. To this end, we are leveraging advanced tools and technologies to evaluate climate risks, track portfolio alignment and monitor engagement activities. For example, we are using MSCI to assess portfolio alignment and emissions disclosures, and we are developing internal tools to track engagement efforts and adherence to standardized exclusions. Although ESG data have known issues and risk being outdated, incomplete, estimated or modelled, we believe these data are an important input into NBI's Climate Plan.

Embedding a clear sustainability purpose in our business strategy

Responsible investing is a priority for the wealth management sector at NBC. NBI, as a subsidiary, also integrates sustainability into its business strategy, taking a cue from executive leadership. Surveys show that most employees feel their employers are not doing enough to address climate change,¹³ and there continues to be interest in responsible investing.¹⁴ This research points to opportunities to improve employee engagement and client loyalty, in addition to supporting an approach that we believe is in the best interest of our clients.

¹¹ As an exception to these exclusions, entities that are engaged in ambitious transitions to low-carbon energy may be considered for investment in NBI Sustainable Funds if they meet specific requirements set by the portfolio manager or portfolio sub-advisor.

¹² Notable exceptions include passive investment strategies replicating indices or derivatives. NBI's Sustainable lineup of funds applies additional exclusionary criteria. Please see the Prospectus for additional information on the specific criteria.

¹³ Deloitte Center for Integrated Research, 2025: *Sustainability Signals*.

¹⁴ Responsible Investment Association, 2025: *RIA Investor Opinion Survey 2025*.



Disclosure

NBI's assessment of climate risks is reported internally to the Executive Committee, to NBI's Risk Committee and to the NBI Board of Directors.

Externally, NBI will disclose updates to this plan and progress made in managing climate risks in the annual Responsible Investment Report.



Metrics and Targets



Methodology

NBI's operational metrics are reported as part of NBC's [Climate Report](#).

The emissions financed through NBI's investment activities are reported below for all listed equities and corporate bonds held by NBI Funds and ETFs according to the Partnership for Carbon Accounting Financials (PCAF) methodology. This method uses a data quality score to assess the accuracy of the financed emissions calculation as illustrated at right. Other asset classes (private equity, sovereign debt and agencies) were excluded from the calculations due to low data availability and quality.

High-impact sectors

NBI also monitors its exposure to high-impact material sectors. According to the NZIF, these sectors include representative companies on the Climate Action 100+ or Transition Pathway Initiative focus lists, plus banks and real estate, as well as agriculture, forestry and fishing.

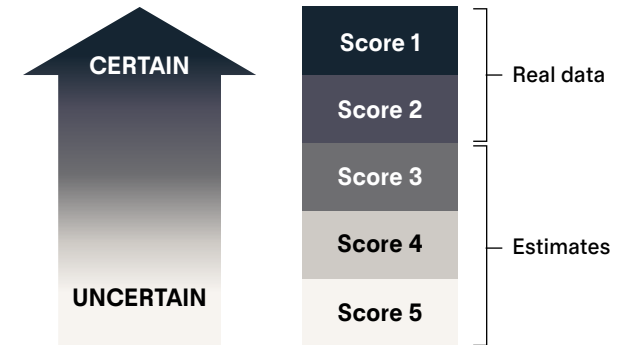
List of high-impact sectors

- | | |
|-------------------------------------|-----------------------------------|
| — Agriculture, forestry and fishing | — Electric utilities |
| — Airlines | — Food producers |
| — Aluminum | — Industrials |
| — Automobiles | — Oil and gas (plus distribution) |
| — Banking | — Paper |
| — Cement | — Real estate |
| — Chemicals | — Shipping |
| — Consumer goods and services | — Steel |
| — Coal and diversified mining | — Transportation |

Figure 4. PCAF data quality scoring and calculation methodology used

Data quality

- Score 1: Reported and verified data
- Score 2: Reported data
- Score 3: Estimated emissions using physical activity-based proxies
- Score 4: Estimations using less specific economic data
- Score 5: Estimations with limited information



Calculation methodology for listed equity and corporate bonds:

$$\text{Financed emissions}_{\text{position}} \left[\frac{\text{tCO}_2\text{e}}{\text{yr}} \right] = \text{Attribution factor}_{\text{position}} [\%] \times \text{Company emissions} \left[\frac{\text{tCO}_2\text{e}}{\text{yr}} \right]$$

$$\text{Attribution factor}_c = \frac{\text{Outstanding amount}_c}{\text{Enterprise value including cash}_c} \quad (\text{With } c = \text{borrower or investee company})$$



Alignment

NBI measures portfolio alignment, that is, an assessment of the net-zero transition progress made by the portfolio companies. As underlying portfolio companies make progress on climate transition efforts, they become more “aligned” with the goal of net zero by 2050. This method aims to support the decarbonization of the real economy, which is necessary to mitigate systemic financial risks created by climate impacts. The framework to assess alignment is based on the NZIF alignment assessment methodology and adapted by MSCI as described in Table 5.

Table 5. Description of alignment criteria based on MSCI’s adaptation of NZIF 2.0

Lower-impact sectors have fewer criteria to meet in order to satisfy the “Aligning” and “Aligned” levels of alignment (only those with an asterisk).

Criteria	Description	Not aligned	Committed	Aligning	Aligned	Achieving net-zero
Net-zero criteria	Current emissions intensity performance at or close to net-zero emissions and an investment plan that will maintain it	No	No	No	No	Yes
Emissions performance	Current emissions intensity (Scope 1, 2, material Scope 3) performance relative to targets	No	No	No	Yes*	Yes
Capital allocation alignment	A clear demonstration that the capital expenditures of the company are consistent with achieving net-zero emissions by 2050	No	No	No	Yes	Yes
Decarbonization plan	A quantified plan setting out the measures that will be deployed to deliver GHG targets, proportions of revenues that are green and, where relevant, increases in green revenues	No	No	Yes	Yes	Yes
Disclosure	Disclosure of Scope 1, 2, material Scope 3 emissions	No	No	Yes*	Yes*	Yes
Targets	Short- and medium-term emissions reduction targets (Scope 1, 2, material Scope 3)	No	No	Yes*	Yes*	Yes
Ambition	A long-term 2050 goal consistent with achieving global net zero	No	Yes	Yes	Yes*	Yes

*Subset of criteria applicable to lower impact companies.



Metrics

The financed emissions for all the underlying listed equities and corporate bonds from NBI investment products are described in Table 6. For more information on the metrics and methodology used, see Appendix 2.

Table 6. NBI's financed emissions and estimated temperature alignment as at October 31, 2024

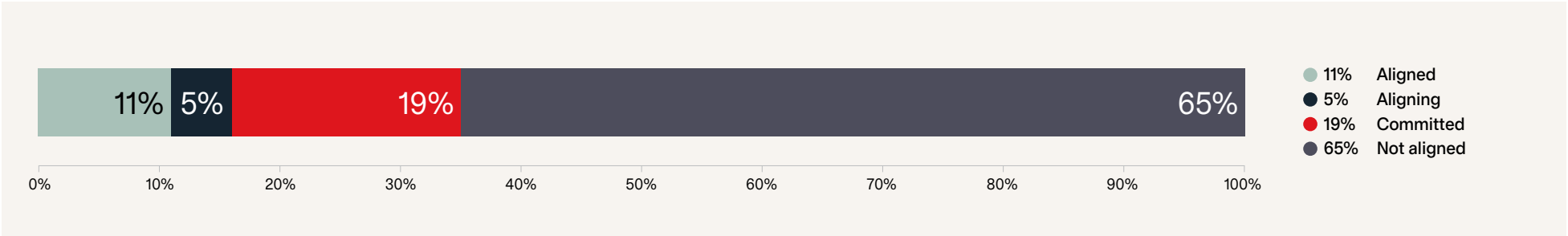
tCO₂e: Tonnes of carbon dioxide equivalent

	Public equity			Corporate bonds			October 31, 2024 AUM in scope: 87%		
	Scope 1	Scope 2	Scope 3	Scope 1	Scope 2	Scope 3	Total (Scope 1&2)	Total (Scope 1,2&3)	Data coverage
Value of exposure analyzed (\$M CAD)	37,559,551,007			10,322,512,695			47,882,063,702		
Absolute emissions (tCO ₂ e)	729,282	174,800	7,113,629	233,765	52,415	1,685,806	1,190,261	9,989,696	96.7%
Emissions per \$1M invested (tCO ₂ e/\$M invested)	19	5	189	23	5	163	25	209	
Weighted average carbon intensity (tCO ₂ e/\$M sales)	76	23	407	90	23	350	102	497	94.5%
Emission weighted data quality score	2.3	2.3	2.5	2.4	2.5	2.7	2.3	2.6	94.5%
Implied temperature rise	2.6°C			2.1°C			2.5°C		99.0%

Source: Greenhouse gas emissions either reported or estimated by MSCI, implied temperature rise as assessed by MSCI.



Figure 5. Percentage of NBI Funds’ and ETFs’ holdings in each of the NZIF categories as assessed by MSCI as at October 31, 2024



The figures 6(a) and 6(b) show the percentage of AUM and financed emissions (Scope 1 and 2) associated with these sectors.

Figure 6(a). Proportion of high-impact sectors contributing to financed emissions

High-impact sectors are also represented according to the Global Industry Classification Standard (GICS) categories.

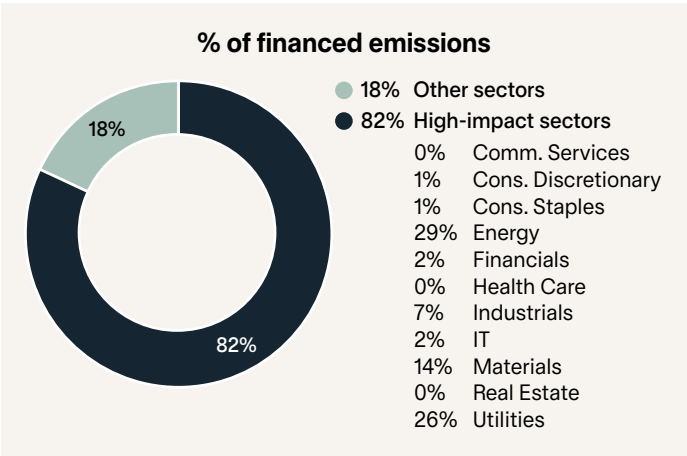
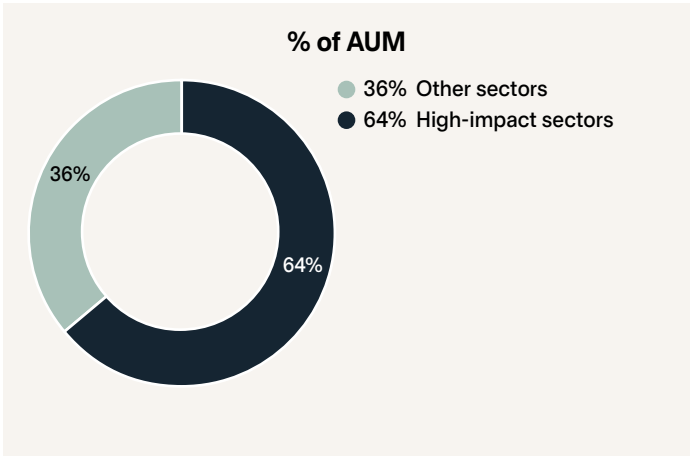


Figure 6(b). High-impact sectors as a percentage of total AUMs

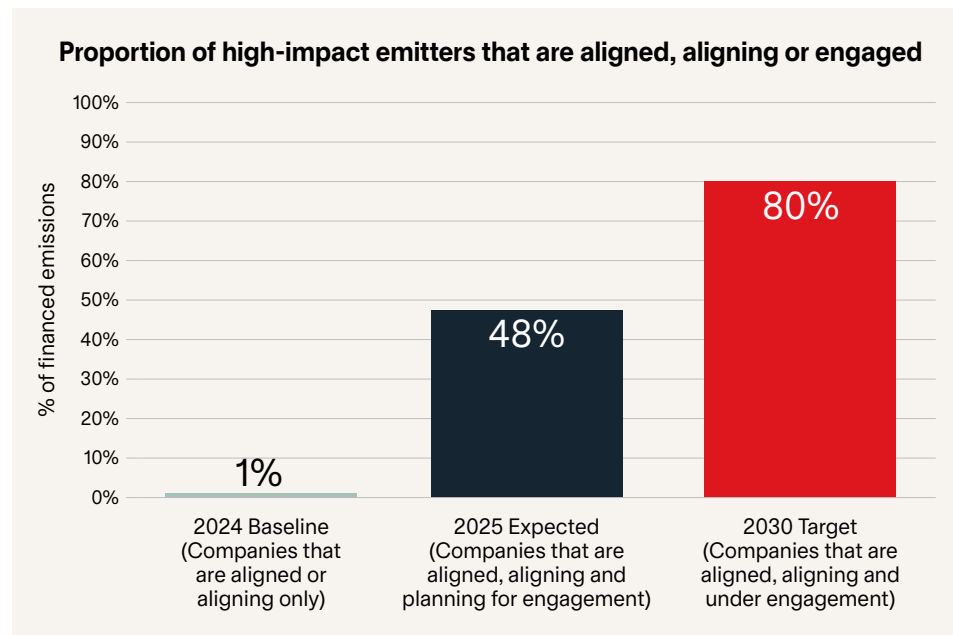




Targets

NBI has adopted an engagement threshold target adapted from the NZIF to support real economy decarbonization. The target covers only listed equities and corporate bonds. The other asset classes were excluded at this stage due to low data availability and quality. Specifically, NBI is targeting to have, by 2030, 80% of Scope 1 and 2 financed emissions in high-impact material sectors originating in assets that are categorized as either aligned to a net-zero pathway, aligning to a net-zero pathway or subject to engagement and stewardship actions.

Figure 7. Proportion of financed emissions from high-impact emitters that are aligned, aligning or engaged



To build out our engagement focus list, we are prioritizing high-emitting material issuers, issuers with high exposure to climate risks or issuers with a significant opportunity to contribute to the transition to a low-carbon future and become sectoral and corporate climate action leaders.

NBI will engage with the companies through our partners (Portfolio Managers and Aequo) and collaborative engagement (Climate Engagement Canada, for example). See Appendix 1 for the list of participating partners. Overall, the engagements aim to decrease the proportion of companies in the “Not Aligned” category and increase the overall alignment of the portfolio. These are examples of engagement goals:

- set and disclose an ambition for net-zero greenhouse gas emissions by 2050;
- set and disclose an interim science-based greenhouse gas reduction targets for Scope 1 and 2 emissions and Scope 3 emissions, where material;
- establish a decarbonization strategy/transition plan that explains how the company intends to meet these greenhouse gas reduction targets and adapt to the changing climate; and
- disclose in alignment with the best-in-class standard of the International Financial Reporting Standards S2 (or the Task Force on Climate-Related Financial Disclosures).

NBI uses MSCI data to assess the alignment of portfolio companies. However, we value the contribution of Portfolio Managers in assessing company alignment and continue to advocate for the disclosure of sustainability-related information from issuers to improve these assessments.

Next Steps



We are committed to advancing the transition toward a more sustainable financial system. We believe integrating material climate risk considerations at the firm level, issuer level and portfolio level is in the best interest of the unitholders of our funds.

As this is a rapidly evolving area for the asset management industry, we expect our strategy to adapt over time. We remain focused on meeting the needs of our investors and will report annually on the progress of this plan to support transparency and continuous improvement.

→ More details about NBI's approach to responsible investment can be found in our [Responsible Investment Policy](#).



Appendices



Appendix 1 – Supporting partners

Some of the portfolio managers, portfolio sub-advisors and/or partners participating in our engagement strategy:

- | | | |
|----------------------------------|--|---|
| — Aequo ¹ | — Beutel, Goodman & Company ² | — J.P. Morgan Investment Management Inc. ² |
| — AlphaFixe Capital ² | — Fiera Capital ² | — Montrusco Bolton Investments ³ |
| — Amundi ² | — Foyston, Gordon & Payne ² | — RP Investment Advisors ² |

¹ Partner in shareholder engagement services.

² Acting as portfolio sub-advisor for certain NBI investment products as defined in the Prospectus.

³ Acting as portfolio manager or portfolio sub-advisor for certain NBI investment products as defined in the Prospectus.



Appendix 2 – Overview of key metrics

All data sourced from MSCI ESG Climate Change Metrics. NBI holdings data as at October 31, 2024.

Metric 1: Financed emissions

The total amount of greenhouse gas emissions attributed to NBI's investment portfolio. The calculations in this document cover listed equities and corporate bonds. Expressed in absolute terms as tonnes of CO₂ equivalent or as emissions per million CAD invested (tCO₂e/\$M invested).

Formula

$$\text{Financed emissions}_{\text{position}} \left[\frac{\text{tCO}_2\text{e}}{\text{yr}} \right] \\ = \text{Attribution factor}_{\text{position}} \left[\% \right] \times \text{Company emissions} \left[\frac{\text{tCO}_2\text{e}}{\text{yr}} \right]$$

Where the attribution factor is calculated as:

$$\text{Attribution factor}_c = \frac{\text{Outstanding amount}_c}{\text{Enterprise value including cash}_c} \quad (\text{With } c = \text{borrower or investee company})$$

Metric 2: Weighted average carbon intensity

The carbon intensity represents the average carbon efficiency of the investment portfolio. Carbon intensity for a company represents the volume of carbon emissions per million (in CAD). Expressed as tCO₂e/\$M sales.

Formula

$$\sum \left(\frac{\text{Current value of investment}_i}{\text{Current portfolio value}} \times \frac{\text{Issuer's emissions}_i}{\text{Issuer's \$M sales}_i} \right)$$

Metric 3: Emission weighted data quality score

The overall data quality score of a portfolio (emission weighted).

Formula

$$\sum \left(\text{Data quality score} \times \% \text{ of Financed emissions} \right)$$



Metric 4: Implied temperature rise

A forward-looking metric that evaluates if companies and portfolios are aligned with the Paris Agreement temperature goals, in particular the maximal goal of limiting global mean surface temperature to an increase of no more than 1.5°C in the year 2100 compared with preindustrial levels. More information on MSCI's methodology can be found at <https://www.msci.com/data-and-analytics/climate-solutions/climate-data-and-metrics/implied-temperature-rise>.

Formula

Portfolio implied temperature rise

$$= \text{Base temperature} + \frac{\sum (\text{TCRE} \times \text{Global budget}_{\text{reference year, } i} \times \text{Financial overshoot}_i)_i}{\sum \text{Financed budgets}_i}$$

Metric 5: Climate value at risk (CVaR)

A forward-looking, quantitative model that forecasts the present value of future costs and benefits under different potential climate scenarios. Expressed as a percentage of asset value (+/-).

Formula

Aggregate CVaR = Policy risk CVaR + Technology opportunity CVaR + Physical risk and opportunity CVaR

Where policy risk is measured as: emission reduction costs, electricity pass-through costs, and value chain impacts.

Technology opportunities are measured as: clean tech revenues and patent assessments.

Physical risks assessed: tropical cyclones, coastal flooding, fluvial flooding, river low flow, wildfires, extreme heat/cold, wind gusts, heavy snowfall and precipitation.



Appendix 3 – Glossary of terms

Absolute emissions: Refers to the total amount of greenhouse gas emissions produced by a specific entity (like a company, country, or individual) over a defined period. It is expressed in tonnes of CO₂.

Climate Value at Risk (CVaR): A forward-looking, quantitative model that forecasts the present value of future costs and benefits under different potential climate scenarios.

Financed emissions: Defined as indirect emissions attributed to financing activities—such as lending and investments—of financial institutions. These activities all contribute to providing capital or financing to a company that emits greenhouse gas emissions.

Implied temperature rise: Estimated using MSCI methodology and defined as a forward-looking metric that evaluates if companies and portfolios are aligned with the Paris Agreement temperature goals, in particular the maximal goal of limiting global mean surface temperature to an increase of no more than 1.5°C in the year 2100 compared with preindustrial levels. For more information on the methodology, visit MSCI's [website](#).

Net zero (or net zero by 2050): Cutting carbon emissions to a small amount of residual emissions that can be absorbed and durably stored by nature and other carbon dioxide removal measures, leaving zero in the atmosphere. The 2050 target was proposed to keep global warming to no more than 1.5°C above pre-industrial levels, as called for in the [Paris Agreement](#), to limit the worst impacts of climate change

Net Zero Investment Framework (NZIF): The [NZIF](#) is the most widely adopted framework by investors for setting net-zero targets and developing related transition plans. It lays the foundations for comprehensive net-zero strategies and focuses on influencing real-world economy emissions reductions.

Policy risk: Assessed as part of MSCI's Climate Value at Risk methodology, policy risk calculates the discounted costs associated with the low-carbon transition. Examples include emission reduction costs, electricity pass-through costs and value chain impacts.

Portfolio alignment: An assessment of the net-zero transition progress made by the portfolio companies. The NZIF includes an alignment maturity scale, which groups portfolio companies into alignment categories from Not Aligned to Achieving Net Zero (see Table 5 for more information).

Scope 1 emissions: Direct greenhouse gas emissions from sources owned or controlled by a company.

Scope 2 emissions: Indirect greenhouse gas emissions associated with the purchase and consumption of electricity, steam, heat or cooling for a company's operation.

Scope 3 emissions: Indirect emissions not produced by the reporting organization nor coming from owned or controlled assets, but that the organization is indirectly responsible for through its value chain. There are two types of Scope 3 emissions: Upstream emissions occur before the creation or delivery of a product or service; downstream emissions occur after the creation or delivery of a product or service.

Technology opportunities: Assessed as part of MSCI's Climate Value at Risk methodology, technology opportunities associated with the low-carbon transition include clean tech revenues and patent assessment.

Weighted average carbon intensity: This metric normalizes each portfolio constituent's greenhouse gas emissions by their revenue. It measures a portfolio's exposure to carbon-intensive companies. Since companies with higher greenhouse gas intensity are likely to be more affected by climate-related risks, this metric can serve as a starting point to measure a portfolio's potential exposure to transition risks relative to other portfolios or benchmarks. As weighted average carbon intensity is calculated based on company revenues and portfolio weights (instead of ownership share of each company), it can be applied across different sectors and asset classes.



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