

# Report on Our Commitment to the Fight Against Modern Slavery

**Fiscal year :** Fiscal year ending October 31, 2023

This report is prepared pursuant to the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the “Act”) (in effect since January 1, 2024). It also constitutes a statement under subsection 54(1) of the *United Kingdom’s Modern Slavery Act 2015* and section 14 of the *Australian Modern Slavery Act 2018*, collectively the “legislation,” which contain provisions against modern slavery, child labour, servitude, forced or compulsory labour and human trafficking, including provisions for the protection of victims. It sets out the commitment, renewed annually, of National Bank of Canada and its subsidiaries targeted by the legislation (collectively, the “Bank,” “we” and “our”)<sup>1</sup> to prevent modern slavery, child labour, forced labour and human trafficking in all activities and relationships with partners. It describes the measures in place at the Bank to achieve this.

## Our structure, commercial activities and supply chain

### Our structure

Founded in 1859, the Bank offers financial services to individuals, businesses, institutional clients and governments across Canada. We are one of Canada’s six systemically important banks and among the most profitable banks on a global basis by return on equity.

The Bank is incorporated in Canada. It employs more than 30,000 people worldwide and has its headquarters in Montreal. The Bank strives to meet the highest standards of corporate responsibility while having a positive impact on all its stakeholders.

### Our activities

We operate through three business segments in Canada: Personal and Commercial Banking, Wealth Management and Financial Markets. A fourth segment, U.S. Specialty Finance and International, complements the growth of our domestic operations.

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<sup>1</sup> No Bank subsidiaries are targeted by the Act.

## **Our policies and due diligence processes in relation to forced labour and child labour**

Section 5 of the [Management Proxy Circular](#) presents an overview of our structure and our governance principles, policies and practices.

Modern slavery, child labour, forced labour and human trafficking go against the Bank's values and ethics. The Bank adheres to the *United Nations Universal Declaration of Human Rights*, *Guiding Principles on Business and Human Rights* and *Principles for Responsible Banking*, as well as the International Labour Organization's *Declaration on Fundamental Principles and Rights at Work* (in particular *Conventions 138* and *182* on child labour). It has a zero-tolerance policy for child labour.

### **Our Human Rights Statement**

Our [Human Rights Statement](#) sets out the Bank's guiding principles, commitments and expectations in terms of human rights. It outlines how the Bank applies its principles in its activities and relationships with stakeholders, with respect to its various roles:

- > Employer with more than 30,000 employees
- > Provider of products and services to its clients
- > Corporate citizen in the communities it serves
- > Partner of local and international organizations

### **Our Code of Conduct and our ethical work environment**

The Bank's [Code of Conduct](#) sets out the guiding principles that define our professional ethics. It states that employees, directors and officers must comply with the laws and regulations that apply wherever we do business. It also contains provisions to maintain a respectful, welcoming, people-centric and stimulating work environment. All employees, directors and officers must attest annually that they comply with the Code, and they regularly receive training on this subject.

The Bank greatly values the quality of the environment it offers employees and takes steps to promote an open, healthy and inclusive workplace. The Bank has therefore drawn up policies and practices intended to ensure employment equity and respect for human rights while preventing [discrimination](#) and [harassment and violence at work](#). Inclusion and diversity are an integral part of the Bank's values.

### **Our due diligence processes**

Assessing and mitigating social risk is integral to the Bank's risk management framework. Social issues play an increasingly important role in the Bank's strategies and decisions. Accounting for these risks helps promote best practices among our stakeholders.

### **Governance**

The Risk Management Committee ("RMC") of the Board of Directors oversees the Bank's risk management program. This program is intended to ensure our policies, procedures and control measures are adequate to manage risks and keep them within the limits of the Bank's risk appetite.

The RMC is also responsible for ensuring that the risk management framework takes environmental, social and governance (ESG) risks into account so that they can be adequately identified, monitored and integrated into existing risk management processes.

ESG criteria are integrated into the Bank's processes. This involves carrying out due diligence as part of our credit granting processes, starting with the Corporate Banking portfolio. For this client segment, the ESG risk analysis framework includes, among others, criteria related to human rights policies.

The Human Resources Committee ("HRC") is mandated to ensure human resources management strategies and organizational culture are aligned with the Bank's ESG practices and strategies.

The Conduct Review and Corporate Governance Committee ("CRCGC") is responsible for keeping abreast of ESG best practices and overseeing the Bank's strategy in this area. This year, the CRCGC received information regarding the role the Bank plays in preventing modern slavery, child labour, forced or compulsory labour and human trafficking, and recommended this report for approval.

## **Parts of our business and supply chains that carry a risk of forced labour or child labour and measures taken to assess and manage such risk**

### **Our supply chain**

Our supply chain includes acquisitions from local, regional, national and international suppliers, primarily suppliers of IT equipment, office supplies, software, real estate and premises management services, merchandise and various other services.

### **Our partners**

The Bank prioritizes suppliers that share its values and requires that they comply with applicable legislation, in particular concerning employment standards, non-discrimination and human rights and freedoms. Most of our contracts with suppliers include our Supplier Code of Conduct.

### **Our Supplier Code of Conduct**

The Bank's Supplier Code of Conduct outlines our expectations of suppliers with respect to responsible business practices. These expectations reflect the Bank's values and how they apply in practice, as approved by its Board of Directors or its committees, as applicable. The code presents the standards which suppliers must adhere to in their business relationship with the Bank. By adopting this code, the Bank affirms its intention to deal with suppliers who take environmental, social and governance (ESG) factors into consideration in their activities and throughout their supply chain.

In terms of the fight against modern slavery, forced labour and child labour in supply chains, the Supplier Code of Conduct specifies that suppliers must not use:

- Child labour
- Forced or compulsory labour
- Involuntary or debt bondage

- Any other type of modern slavery practices

Reasonable and appropriate control measures are set out in the Code, such as the Bank's right to take corrective action in certain situations of non-compliance with the Code. Such action can range from issuing a warning to terminating a contract in whole or in part, or even terminating a business relationship.

#### Our expectations of our suppliers

Suppliers must have a zero-tolerance policy in this regard for all their facilities and business activities and within their entire supply chain. Suppliers must demonstrate that child labour and forced labour are not used in their operations. Suppliers must also be able to provide evidence of the due diligence process in place to manage labour issues in their supply chain. Suppliers must confirm that their supply chain is free from modern slavery practices and may be asked by the Bank to report on this regularly.

#### **Sectors of activity most at risk**

The Bank recognizes that some of its activities could indirectly involve a risk of forced labour. Some sectors in our portfolio could present higher risk of forced labour and child labour, including:

- Agriculture
- Construction
- Electronics and electricity
- Extractive industries, mining and metals
- Fishing and aquaculture
- Forestry
- Healthcare
- Hospitality services
- Cleaning and premises management
- Textiles and clothing
- Transportation and warehousing

The Bank manages the risk of forced labour and child labour via its policies, practices and processes. We prioritize the adoption of responsible, equitable sourcing practices while ensuring effective management of our supply chain. For instance, the Bank expects that the suppliers it does business with will be able to demonstrate that child labour and forced labour are not used in their activities. Sectors that present greater risks are subject to increased oversight. Furthermore, the Bank has implemented restrictions on certain industries that present a high risk of modern slavery, such as the adult entertainment industry.

#### **Measures taken to remediate any forced labour or child labour**

No instances of modern slavery, child labour, servitude, forced or compulsory labour or human trafficking have been detected by our oversight procedures. However, we have implemented measures to remediate such instances if necessary.

#### **Reporting infractions**

The Bank takes action in the event of non-compliance with its policies and practices. It has reporting mechanisms and recourse measures in place for employees and other stakeholders who wish to express their concerns confidentially or anonymously, without risk of reprisals. For example, the Audit Committee and the CRCGC have adopted a policy on whistleblowers and ensure that it is implemented.

Employees, officers and directors are responsible for reporting all unethical behaviour or behaviour that goes against the Code of Conduct or any other Bank policies or rules, including any human rights violations. Depending on the situation, employees can report infractions to their manager, their manager's manager or one of the resources set out in the Code of Conduct.

All suppliers also agree to report any infractions, in accordance with the Supplier Code of Conduct.

The Bank invites partners who have reasonable grounds to believe that the Bank or any other person is committing wrongdoing to report it confidentially or anonymously by informing the Bank or a competent authority, with the aim of promoting a culture of compliance. The Ethics Ombudsman receives, processes and retains reports of wrongdoing. Each report is reviewed confidentially in accordance with legislation, regulations and industry best practices.

### **Our actions against financial crime**

The Bank has developed an Anti-Money Laundering/Anti-Terrorist Financing (AML/ATF) program, an Anticorruption Program and a Sanctions Program to prevent the Bank's products and services from being used for money laundering or terrorist financing purposes or for sanctionable activities.

The control measures in effect enable us to oversee financial transactions and detect and report to the authorities any transactions suspected of being linked to laundering the proceeds of crime, including human trafficking and modern slavery.

### Corrective measures

In accordance with the Code of Conduct, if the principles set out in this statement are violated, the Bank's employees and officers may be subject to corrective and disciplinary measures up to and including dismissal, in accordance with the Bank's guidelines for corrective and disciplinary measures. Interns, contract employees, consultants or suppliers who do not comply with the Code are likely to have their contract cancelled. In addition, certain severe infractions may result in legal proceedings against the individual.

### **Measures taken to remediate the loss of income to the most vulnerable families that results from any measure taken to eliminate the use of forced labour or child labour in our activities and supply chains**

We believe that the most vulnerable families have not suffered any loss of income as a result of the measures we have taken to eliminate the risk of forced labour and child labour. However, as a leading economic player in Quebec and Canada since 1859, the Bank seeks to contribute to the development of the communities in which it operates. It has reached this objective through a well-defined donation and sponsorship program and the commitment of its employees and retirees who volunteer for various organizations, as well as successful fundraising efforts that include contributions from clients. The Bank is proud to be involved in the community. As a generalist donor, it has adopted a philanthropic strategy that focuses on donating to a large number of causes.

It supports many organizations in the areas of education, entrepreneurship, health, community outreach, arts and culture, inclusion and diversity and the environment. Organizations are chosen according to strict guidelines that are used as a reference when assessing requests. Therefore, the Bank strives to be as equitable as possible and maximize its impact on society.

The Bank strives to maximize the potential of individuals and the community. We foster entrepreneurship, financial literacy, philanthropy and support for health and education through various initiatives aimed at promoting the development and success of women, visible minorities, persons with disabilities, Indigenous Peoples and members of LGBTQ2+ communities. Every year, we give back millions of dollars to the community through donations, sponsorships and fundraisers and support hundreds of organizations across Canada.

The Bank has rolled out measures to improve access to financial services and meet the specific needs of clients, including underbanked, unbanked and poorly serviced individuals.

The Bank believes that financial education is essential to financial health. That's why we offer a wide range of resources and tools to help our clients carefully plan their financial needs based on their projects and life stages. The Advice section at [nbc.ca](https://www.nbc.ca) includes hundreds of articles, videos and podcasts that shed light on a wide range of topics related to managing personal and business finances. Through partnerships with different organizations, the Bank supports the creation of financial education initiatives targeting various groups.

## **Training**

Training sessions, some of which are mandatory, are made available throughout the year to teach employees about various human rights-related topics and highlight the mechanisms in place to report behaviour that goes against the Bank's stated principles.

The annual regulatory compliance training covers related topics, such as the fight against money laundering and terrorist financing and international economic and trade sanctions. All employees are required to complete this training.

Employees can also access diversity training sessions that will teach them about inclusive behaviours and how to create a work environment free of discrimination. Through mandatory training on the prevention of workplace harassment and violence, employees learn to understand and detect harassment and violence in the workplace and discover ways to prevent and reduce it.

Furthermore, employees must complete mandatory Environmental, Social and Governance (ESG) training to help them understand what ESG represents and how it ties into corporate social responsibility and sustainable development. This training also aims to help employees better understand how they can contribute to the Bank's objectives. The Social component includes human rights.

Given the critical role businesses play in achieving ESG goals, the Bank has rolled out initiatives to raise awareness among employees, such as podcasts and presentations.

## **Assessment of our effectiveness in ensuring that forced labour and child labour are not being used in our business and supply chains**

The Bank's Anti-Money Laundering/Anti-Terrorist Financing Program is used to maintain effective control over the risk of exposure to money laundering and terrorist financing activities across the organization. It is regularly reviewed, updated and improved to account for changes in the Bank's activities, the requirements in effect and the oversight standards applicable.

We also carry out control assessments for the suppliers we do business with to establish their base risk level, which enables us to detect activities likely to breach our Supplier Code of Conduct.

To measure the effectiveness of our approach to managing social risks, we rely on information provided by various stakeholders, including clients, investors and members of the community.

During fiscal 2023, no instances of modern slavery or human trafficking involving our suppliers were detected by our supplier oversight procedures.

## **Conclusion**

We are committed to preventing and fighting all forms of modern slavery and human trafficking in the Bank's activities and supply chains. As such, we will continue to regularly review our processes, practices and policies in order to identify opportunities for improvement.

## **Review and approval**

**For National Bank of Canada,**

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the report for the entity or entities listed above. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

**I have the authority to bind National Bank of Canada,**



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Laurent Ferreira  
President and Chief Executive Officer and  
Member of the Board of Directors  
February 26, 2024