

Annual Meeting of Shareholders

April 22, 2022

Notice of Annual Meeting of the Holders
of Common Shares of National Bank of Canada

Management Proxy Circular



3 IMPORTANT DOCUMENTS



NOTICE OF MEETING

Informs you of the matters being submitted to a vote and of where, when, and how to vote.



MANAGEMENT PROXY CIRCULAR

Current document that provides information, before you vote, about the matters being submitted to a vote, the experience and competencies of Director nominees, the compensation of the Director nominees, the compensation of senior management, and the Bank's governance practices.



VOTING FORM

Unable to attend the Annual Meeting of Shareholders? Vote using the form received by mail or email.

The Board's priorities for 2022

The Board of Director's primary responsibility is to ensure the Bank's sustainability and ability to create long-term value for all stakeholders.

Here are your Board's most important priorities for 2022:

- > Approve and supervise the new three-year strategic plan as well as the Bank's major projects
- > Oversee the digital transformation and technology investments
- > Ensure the effectiveness of cybersecurity and of data privacy programs and practices
- > Oversee the implementation of our environmental, social, and governance (ESG) guiding principles
- > Ensure the successful transition of the new President and Chief Executive Officer and plan the succession of senior management

Terms and abbreviations used →

Use the table overleaf to facilitate reading.

2021 Annual Information Form: The Bank's Annual Information Form dated November 30, 2021 and posted on the nbc.ca and sedar.com websites on December 1, 2021

2021 Annual Report: The Bank's Annual Report filed on December 1, 2021 and posted on the nbc.ca and sedar.com websites, including the consolidated financial statements for the fiscal year ended October 31, 2021, Management's Discussion and Analysis, and the related independent auditor's report

AC: Audit Committee of the Board

Act: Bank Act, S.C. 1991, c. 46

ANI: Available net income. Net income attributable to Holders of Common Shares of the Bank

Bank: National Bank of Canada

Beneficial owner: Any person holding Common Shares registered in the name of a nominee (such as a securities broker, other intermediary, or a duly authorized agent) on his or her behalf

Board: Board of Directors of the Bank

Circular: Management Proxy Circular for the Meeting

Computershare: Computershare Trust Company of Canada

CRCGC: Conduct Review and Corporate Governance Committee of the Board

CSA: Canadian Securities Administrators

Deloitte: Deloitte LLP

DSU: Deferred share unit

EDT: Eastern Daylight Time

ESG: Environmental, social, and governance

ESG Report: The Bank's 2020 Report on Environmental, Social and Governance Advances

EST: Eastern Standard Time

Executive Officers or Members of the Office of the President (as at February 23, 2022):

The "Executive Officers" are:

- the President and Chief Executive Officer;
- the Chief Financial Officer and Executive Vice-President – Finance;
- the Executive Vice-President – Wealth Management, and Co-President and Co-Chief Executive Officer of NBF;
- the Executive Vice-President – Risk Management;
- the Executive Vice-President – Financial Markets;
- the Executive Vice-President – Personal Banking and Client Experience;
- the Executive Vice-President – Employee Experience;
- the Leader Operations;
- the Executive Vice-Presidents, Co-Heads Commercial Banking and Private Banking; and
- the Executive Vice-President – Technology and Operations.

The term "Other Executive Officers" includes all Executive Officers except for the President and Chief Executive Officer.

FSB: Financial Stability Board

GHG: Greenhouse gas

HRC: Human Resources Committee of the Board

ICP: Annual Incentive Compensation Program

Inclusion and Diversity Booklet: The Bank's 2020 Inclusion and Diversity Booklet

Korn Ferry: Korn Ferry (CA) Ltd.

Meeting: Annual Meeting of the Holders of Common Shares of National Bank of Canada to be held on Friday, April 22, 2022 at 10:00 a.m. (EDT) and any reconvening thereof in case of adjournment

Named Executive Officers (as at October 31, 2021):

The term "Named Executive Officers" means the President and Chief Executive Officer, the Chief Financial Officer and, the three most highly compensated Executive Officers of the Bank, as defined in Regulation 51-102, namely:

Louis Vachon – President and Chief Executive Officer until October 31, 2021;

Laurent Ferreira – Chief Operating Officer until October 31, 2021 and President and Chief Executive Officer as of November 1, 2021;

Ghislain Parent – Chief Financial Officer and Executive Vice-President – Finance;

Denis Girouard – Executive Vice-President – Financial Markets; and

Martin Gagnon – Executive Vice-President – Wealth Management, and Co-President and Co-Chief Executive Officer of NBF

NBF: National Bank Financial Inc.

NZBA: United Nations Net-Zero Banking Alliance

Officers: The term "Officers" includes the Bank's Senior Vice-Presidents and Vice-Presidents, all staff in roles reporting directly to Executive Officers who are employees of the Bank's subsidiaries, as well as any employee of the Bank or its subsidiaries considered by the Bank's HRC to occupy a similar role

OSFI: Office of the Superintendent of Financial Institutions (Canada)

PCAF: Partnership for Carbon Accounting Financials

PRAP: Post-Retirement Allowance Program

Privacy Booklet: The Bank's Privacy Booklet

PSU: Performance share unit

Registered holder: Any person who holds Common Shares registered in their name in the Bank's share register

Regulation 51-102: Regulation 51-102 respecting Continuous Disclosure Obligations, CQLR c. V-1.1, r. 24

Regulation 54-101: Regulation 54-101 respecting Communication with Beneficial Owners of Securities of a Reporting Issuer, CQLR c. V-1.1, r. 29

RMC: Risk Management Committee of the Board

RSU: Restricted share unit

SEDAR: System for Electronic Document Analysis and Retrieval

Shareholder: Any Registered holder or Beneficial owner of Common Shares of the Bank

Stock Option Plan: Stock option plan of the Bank

TCFD: Task Force on Climate-Related Financial Disclosures

TCFD Report: The Bank's 2020 Report on the Task Force on Climate-Related Financial Disclosures Progress

TSC: Technology Subcommittee of the Board

TSR: Total shareholder return

UN: United Nations

OUR ONE MISSION

We exist to have a **POSITIVE IMPACT** in people's lives.

By building **long-term relationships** with our clients, employees and communities.

People first.

Why do we need a One Mission?

Our One Mission is aligned with our continued efforts to drive social and economic development. In response to changing trends in the banking industry, we've adopted a people-first approach that will help us achieve our objectives and boost our collaboration with stakeholders.

How is our One Mission put into practice?

- > Through the experiences we want to deliver to our clients, our employees and the communities we serve.
- > Through behaviours that reflect our values: partnership, empowerment and agility.
- > Through the way employees work together to boost client satisfaction, employee engagement and community involvement.
- > Through the initiatives we prioritize to have a positive impact.

The Bank's ESG commitments

In 2021, the Bank announced its commitment to the following initiatives:

> **Partnership for Carbon Accounting Financials**

The Bank has joined a global partnership of financial institutions that work together to develop an approach to assess and disclose the GHG emissions resulting from their lending and investment activities.

> **United Nations Net-Zero Banking Alliance**

The Bank has joined this global alliance that furthers efforts made by banks to help address climate change by aligning financing activities with the net-zero emissions target by 2050.

The Bank also pursued its commitment to the following global initiatives:




- > UN Principles for Responsible Banking
- > UN Environment Programme Finance Initiative (UNEP FI)
- > UN Principles for Responsible Investment (PRI)
- > UN Women's Empowerment Principles
- > UN Global Business Standards of Conduct for Tackling Discrimination Against Lesbian, Gay, Bi, Trans and Intersex People (LGBTI)

The Bank supports the FSB's Task Force on Climate-Related Financial Disclosures (TCFD). In 2021, it released a [new report](#) outlining the issues addressed by this group. The Bank is also working with industry partners to develop a relevant disclosure approach.

The Bank's ESG principles

The Bank is committed to having a positive impact in people's lives.

Our ESG principles reflect our commitment to building a sustainable future while representing the best interests of stakeholders.

ENVIRONMENT	SOCIAL	GOVERNANCE
 <p>We are working to develop a green economy</p>	 <p>We enrich communities</p>	 <p>We govern according to the highest standards</p>
<ol style="list-style-type: none"> 1. We consider the fight against climate change in our economic and community actions 2. We guide and advise our clients in their energy transition 3. We manage and reduce our environmental footprint in all of our business segments 	<ol style="list-style-type: none"> 4. We maximize the potential of individuals and the community 5. We promote inclusion and diversity 6. We foster entrepreneurship, financial literacy, philanthropy, and support for health and education 	<ol style="list-style-type: none"> 7. We promote a strong ethics culture, sound governance practices, and rigorous risk management 8. We manage according to responsible business practices 9. We ensure the long-term viability of the institution

Key United Nations Sustainable Development Goals covered by our principles



The following icons represent the 17 UN Sustainable Development Goals covered by the Bank's ESG principles:

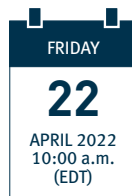
- 7. Affordable and Clean Energy
- 9. Industry, Innovation and Infrastructure
- 13. Climate Action
- 1. No Poverty
- 2. Zero Hunger
- 3. Good Health and Well-being
- 4. Quality Education
- 5. Gender Equality
- 8. Decent Work and Economic Growth
- 10. Reduced Inequalities
- 16. Peace, Justice and Strong Institutions
- 17. Partnerships for the Goals

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NOTICE OF ANNUAL MEETING of the Holders of Common Shares of the National Bank of Canada and notice of availability of proxy materials



HYBRID MEETING



By live webinar at:
<https://web.lumiagm.com/409219865>



In person at:
National Bank of Canada
600 De La Gauchetière Street West,
4th floor
Montreal, Quebec, Canada

Join us at the Annual Meeting of the Holders of Common Shares of National Bank of Canada (the “**Meeting**”) to discuss the following matters:

BUSINESS OF THE MEETING

For more information,
please see:

1	To receive the consolidated financial statements for the fiscal year ended October 31, 2021 and the independent auditor’s report thereon	<i>Section 2 of the Circular and 2021 Annual Report</i>
2	To elect the Directors	<i>Section 2 of the Circular</i>
3	To consider an advisory resolution to accept the approach taken by the Board of Directors of National Bank of Canada (the “Bank”) with respect to executive compensation	<i>Section 2 of the Circular</i>
4	To appoint Deloitte LLP as independent auditor	<i>Section 2 of the Circular</i>
5	To examine Shareholder proposals	<i>Section 2 and Appendix A of the Circular</i>
6	To examine any other matter that may be duly brought before the Meeting	<i>Section 2 of the Circular</i>

VOTE NOW!
It’s simple.

It is very important that you read the Circular carefully before exercising the voting rights attached to your Common Shares of the Bank.








Access the Circular on
nbc.ca/investorrelations or sedar.com
or envisionreports.com

You will receive by mail or email, with a copy of this Notice, a form of proxy or a voting instructions form allowing you to exercise your voting rights. For more information on how to vote, refer to [Section 1](#) of the Circular.

Who can vote?

Registered holders and Beneficial owners holding shares on the record date, i.e., on February 23, 2022 at 5:00 p.m. (EST), are entitled to receive a Notice of Meeting and to cast one vote per Common Share held, at the time of the Meeting, subject to the restrictions set out in the Bank Act (Canada).

You are a Registered holder if your Common Shares are registered in your name in the Bank's register. You are a Beneficial owner if your Common Shares are held by a nominee, such as a securities broker, on your behalf. For more information, refer to [Section 1](#) of the Circular.

REGISTERED HOLDER	BENEFICIAL OWNER
<p> VOTE via the form of proxy</p> <p>You must follow the instructions on your form of proxy and return it using one of the following methods:</p> <p>  </p> <p>To be valid, your form of proxy must be received by Computershare Trust Company of Canada no later than 5:00 p.m. (EDT) on Wednesday, April 20, 2022.</p>	<p>VOTE via the voting instructions form</p> <p>You must follow the instructions on your voting instructions form and return it using one of the following methods:</p> <p>  </p> <p>Your intermediary must receive your instructions no later than 5:00 p.m. (EDT) on April 19, 2022 for your vote to be processed before 5:00 p.m. (EDT) on Wednesday, April 20, 2022. Please refer to the instructions on your voting instructions form.</p>

If you prefer to exercise your voting rights during the Meeting or to appoint a proxyholder to represent you at the Meeting and exercise your voting rights there, please refer to your form of proxy or your voting instructions form as well as to [Section 1](#) of the Circular.

Common Shares outstanding on the record date

On the record date for the Meeting, i.e., February 23, 2022, there were 338,300,219 Common Shares of the Bank outstanding and conferring voting rights at the Meeting, subject to the restrictions set out in the Bank Act (Canada).

How do I obtain a printed copy of the Circular?

To receive a free printed copy of the Circular before the Meeting or in the year after the date the Circular was filed, you may submit a request using the procedure below:

REGISTERED HOLDER		BENEFICIAL OWNER
Before the Meeting, call: 1-866-962-0498 (toll-free in Canada and the United States) or 1-514-982-8716 (other countries)	After the Meeting, call: 1-866-964-0492 (toll-free in Canada and the United States) or 1-514-982-8714 (other countries)	Call 1-877-907-7643 (toll-free in Canada and the United States) or Go to proxyvote.com and enter the 16-digit control number shown on your voting instructions form.
And enter the 15-digit control number indicated on your form of proxy when required.		

If you request the Circular before the date of the Meeting, it will be sent to you within three business days of receiving your request. To receive the Circular before the voting deadline and the date of the Meeting, we estimate that your request must be received no later than 5:00 p.m. (EDT) on Monday, April 11, 2022.

If you request it on the date of the Meeting or in the year following the filing of the Circular, it will be sent to you within ten calendar days of receiving your request.

Notice-and-access procedures

In compliance with securities regulations and with the authorization of the Office of the Superintendent of Financial Institutions of Canada, the Bank adheres to the notice-and-access procedures applicable to delivery of the Circular issued by the Bank's management in connection with the solicitation of proxies for the purposes indicated in the Notice of Meeting, for use at the Meeting, and, if adjourned, at any reconvening thereof. As a result of this compliance, you will not receive the Circular by mail unless you so request.

The notice-and-access procedures provide quicker access to the Circular while contributing to environmental protection by reducing tree, water, and energy consumption. The Bank is proud to take this step to help protect the environment.

VOTE NOW!
It's simple.

It is very important that you read the Circular carefully before exercising the voting rights attached to your Common Shares of the Bank.

Access the Circular on nbc.ca/investorrelations or sedar.com or envisionreports.com

Shareholder questions or assistance with voting

If you have any questions regarding this notice, the notice-and-access procedures, or the Meeting, or if you require assistance with voting, you may contact TMX Investor Solutions Inc., a proxy solicitation firm mandated by the Bank, at **1-800-622-1603** (toll-free in Canada and the United States) or 1-800-217-0538 (toll-free in other countries), or by email at: INFO_TMIXIS@TMX.COM.

Participation in person

To reduce the potential health and safety risks related to COVID-19, and in accordance with the directives and guidance of various government bodies, the Bank will apply the safety protocols in effect at the time of the Meeting. If you opt for in-person attendance at the Meeting, please visit nbc.ca/investorrelations to learn about the measures that will be in effect during the Meeting.

Shareholders will be able to register and connect to the live webcast beginning at 9:00 a.m. (EDT) on April 22, 2022. We recommend that you register in advance so that the Meeting can begin promptly at 10:00 a.m. (EDT).

By order of the Board of Directors,
Senior Vice-President, Legal Affairs and Corporate Secretary,



Dominic Paradis

Montreal, February 23, 2022

Montreal, February 23, 2022



Jean Houde
Chair of the Board

Dear Shareholder,

We cordially invite you to join the members of the Board of Directors and the Executive Officers for the annual meeting of shareholders of the Bank. In the still uncertain context of the COVID-19 pandemic, we continue to prioritize your well-being as well as that of employees, clients, and the communities in which the Bank operates. That is why we are giving you an option to attend the Meeting virtually again this year in addition to in-person attendance, if the health measures related to the pandemic so permit.



Laurent Ferreira
President and
Chief Executive Officer

Your Meeting

This Meeting is an opportunity for us to inform you about our achievements, our current initiatives, and how we intend to ensure our future success as well as to hear your opinions and answer your questions. At the same time, the Meeting is an opportunity for you to participate in the governance of your organization and to vote on the matters important to you.

Solid pillars supporting sustainable growth

In 2021, the Bank delivered outstanding financial performance owing to its strategic choices, its strength and adaptability, and its earnings diversification. Our digital transformation, sound mixed-business strategies, and entrepreneurial culture has also contributed to the Bank's growth. While ensuring the success of our changes to senior management, the Board will put forward its main priorities in 2022, namely, the oversight of risks, culture and talent development, technology investments, and the Bank's new three-year strategic plan.

Our ESG commitments

It is with pride that we have continued to prioritize our environmental, social and governance (ESG) strategy. Throughout the pandemic, the Bank continued to proactively manage ESG-related risks and opportunities, including development of an action plan to achieve net-zero emissions by 2050, employee and client well-being, inclusion and diversity, and reducing the Bank's own environmental footprint.

The Board continues to adopt exemplary governance practices. The composition of our Board is a key aspect of governance, and we are proud to have a strong, competent, and diverse team. We are pleased to announce that Lynn Loewen will be a nominee up for election at the Meeting. We would like to thank Manon Brouillette, who ceased being a member of the Board on January 1, 2022, for her commitment and contribution.

Talent and culture

The Bank remained an employer of choice in 2021. We maintained our commitment to talent development and succession planning and continued to promote our culture, which is one of our key competitive advantages. The Bank's solid foundation is a reflection of its resilience. We are looking to the future with confidence and optimism thanks to our winning team and culture of excellence. No matter the challenges that may arise, we are ready for the future.

Cordially,



Jean Houde
Chair of the Board



Laurent Ferreira
President and Chief Executive Officer

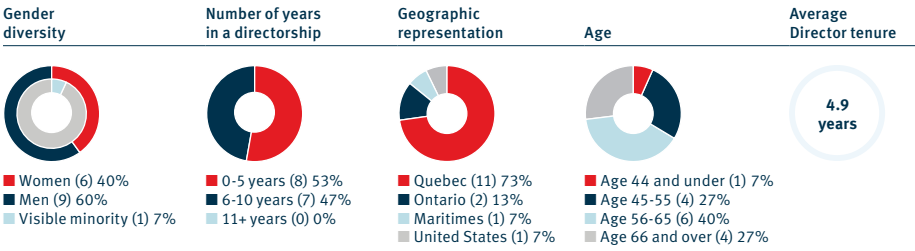
Summary

MATTERS SUBMITTED TO SHAREHOLDER VOTE

		Recommendation of the Board and of management
1	Election of Directors	For each nominee P. 16
2	Board’s approach to executive compensation	For P. 17
3	Appointment of the independent auditor	For P. 18
4	Shareholder proposals	Against P. 19

Data points on Director nominees

The data presented below represents the main characteristics of the Board’s composition if each nominee for directorship is elected by the Shareholders at the Meeting:



Director nominees at a glance

You are invited to elect the 15 Directors who will make up the Board. For a detailed biography of each nominee and for further information on the following charts, refer to [Sections 3](#) and [5](#) of the Circular.

Director nominees	Age	Director since	Main occupation	Independent	Committee	Board and committee attendance in 2021	Other directorships in public corporations
Maryse Bertrand	63	April 2012	Corporate Director	✓	AC HRC	93%	<ul style="list-style-type: none"> • Metro Inc. • Gildan Activewear Inc.
Pierre Blouin	64	September 2016	Corporate Director	✓	AC HRC TSC (C)	100%	<ul style="list-style-type: none"> • Fortis Inc.
Pierre Boivin	68	April 2013	President and Chief Executive Officer, Claridge Inc.	✓	HRC (C)	96%	<ul style="list-style-type: none"> • Metro Inc.
Yvon Charest	65	April 2020	Corporate Director	✓	RMC HRC CRCGC (C)	100%	–
Patricia Curadeau-Grou	66	April 2019	Corporate Director	✓	RMC CRCGC TSC	98%	<ul style="list-style-type: none"> • Cogeco Inc.
Laurent Ferreira	51	February 2021	President and Chief Executive Officer of the Bank		–	100%	–
Jean Houde	76	March 2011	Chair of the Board of the Bank	✓	CRCGC	100%	–
Karen Kinsley	65	December 2014	Corporate Director	✓	AC (C) RMC	100%	<ul style="list-style-type: none"> • Choice Properties Real Estate Investment Trust • Saputo Inc.
Lynn Loewen	60	New nominee	Corporate Director	✓	–	–	<ul style="list-style-type: none"> • Emera Incorporated
Rebecca McKillican	42	October 2017	Chief Executive Officer of McKesson Corporation Canada	✓	HRC TSC	100%	–
Robert Paré	67	April 2018	Strategic Advisor, Fasken Martineau DuMoulin LLP	✓	CRCGC HRC	100%	<ul style="list-style-type: none"> • Quebecor Inc.
Lino A. Saputo	55	April 2012	President and Chief Executive Officer and Chair of the Board of Directors, Saputo Inc.	✓	CRCGC RMC	100%	<ul style="list-style-type: none"> • Saputo Inc.
Andrée Savoie	50	April 2015	President and Chair of the Board of Directors, Acadian Properties Ltd.	✓	AC CRCGC	100%	–
Macky Tall	53	April 2021	Partner and Chair of the Infrastructure Group of The Carlyle Group Inc.	✓	RMC	94%	–
Pierre Thabet	64	March 2011	President, Boa-Franc Inc.	✓	AC RMC (C)	100%	–

Competencies and expertise of Director nominees

Competencies and expertise	Maryse Bertrand	Pierre Blouin	Pierre Boivin	Yvon Charest	Patricia Curadeau-Grou	Laurent Ferreira	Jean Houde	Karen Kinsley	Lynn Loewen	Rebecca McMillan	Robert Paré	Lino A. Saputo	Andrée Savoie	Macky Tall	Pierre Thabet
Legal and Governmental Affairs ⁽¹⁾	✓										✓				
Audit and Finance ⁽²⁾		✓		✓	✓	✓	✓	✓	✓					✓	✓
Entrepreneurship and Strategic Leadership ⁽³⁾		✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓
Client Experience ⁽⁴⁾		✓								✓		✓	✓		
Employee Experience and Executive Compensation ⁽⁵⁾			✓				✓				✓				
Governance and Corporate Culture ⁽⁶⁾	✓			✓			✓	✓			✓	✓	✓		
Financial Markets and Banking Services ⁽⁷⁾					✓	✓		✓			✓				
Social Responsibility, Environment and Sustainable Development ⁽⁸⁾	✓		✓						✓	✓			✓	✓	✓
Risk Oversight ⁽⁹⁾	✓			✓	✓	✓						✓		✓	✓
Information Technology, Security and Digital Solutions ⁽¹⁰⁾		✓	✓						✓	✓					

Although the experience of Director nominees covers a wide range of skills and expertise, this table shows their four key competencies as identified through a self-assessment questionnaire.

- (1) Experience as a lawyer in a law firm or internal counsel to a public corporation or large organization or experience or knowledge in federal and provincial public policy and regulatory matters.
- (2) Experience in or knowledge of accounting and financial reporting, corporate finance, and internal financial/accounting controls.
- (3) Experience as a president and chief executive officer or executive officer or experience in the area of strategic direction or in developing and guiding the growth of long-term business activities.
- (4) Experience in or in-depth knowledge of products and services and customer relations, including digital and mobile service offerings, and in developing and implementing strategies to increase client satisfaction and enhance the client experience.
- (5) Experience in or knowledge of talent management with respect to compensation programs, pension plans, and employee benefit programs as well as an understanding of human resources principles and practices.
- (6) Experience in or knowledge of governance principles and practices in a public company or large organization and experience implementing a culture of accountability and transparency.
- (7) Experience in or knowledge of the operation, oversight, and development of financial services.
- (8) Experience in or knowledge of social and environmental measures, corporate responsibility practices, or sustainable development strategies.
- (9) Experience in or knowledge of the internal risk controls of a public company or large organization, including financial and non-financial risks (e.g., reputation, operational, environmental, cyber risk) and risk assessment and disclosure/reporting.
- (10) Experience in or knowledge of information technology management, including cybersecurity, implementation of technology strategies, emerging technologies, integration of technologies into business and client service operations.

COMPENSATION HIGHLIGHTS

Evolution of practices and programs

In 2021, we strengthened the alignment of compensation, performance, responsibility, and behaviours by creating a single compensation envelope for all Executive Officers and about 100 Officers based on the Bank's available net income and other key scorecard indicators with common objectives applicable to members of these groups. The new compensation program, SYNERGY – Executives, implemented in 2021, is summarized as follows:

- A single collective compensation envelope funding the base salary as well as the short-, mid-, and long-term variable compensation of all Executive Officers and Officers.
- An envelope creation rate that is determined according to a scale that causes the creation rate to gradually decrease as the Bank's ANI increases.
- A One Mission performance multiplier that increases or decreases the envelope based on the achievement of key operational indicators, including ESG priorities starting November 1, 2021.
- A final envelope subject to the review and discretion of the Board.
- An envelope allocation process rewarding each Executive Officer's and Officer's individual contribution to the Bank's success, and framed with ceilings and rigorous allocation guidelines governing the recommendations of Executive Officers and the decisions of the Board.

Fiscal 2021

- Throughout 2021 and in the context of the ongoing pandemic, the Bank continued to prioritize the well-being of its employees and clients. The Board is proud of the goodwill shown by the Bank, reflecting our commitment to our One Mission of putting "People first". The Bank delivered exceptional performance this year. The Bank's results confirm the sound strategic choices made over the years and its strong culture of agility.
- The annual objectives considered in the SYNERGY – Executives Program as well as in the other compensation programs offered to employees were all exceeded.
- The total direct compensation paid under the SYNERGY – Executives Program is equivalent to what would have been paid under the previous Officers' compensation program and consistent with the compensation paid by other programs at the Bank. The increase in total direct compensation paid to the President and Chief Executive Officer and to all Named Executive Officers reflects an exceptional fiscal year with the overachievement of the budgeted net income. The compensation level in 2021 contrasts with that of 2020, when major disruptions in the global environment in which the Bank operated affected its financial results, essentially due to higher credit loss provisions resulting from the significant deterioration in the macroeconomic outlook caused by COVID-19, thereby impacting the variable compensation awarded to the Named Executive Officers in 2020.
- The Bank's excellent performance was also reflected in the Annual Incentive Compensation Program (ICP) payouts covering over 9,000 employees, as well as in the sales program payouts.
- No changes were made to the target total direct compensation of the President and Chief Executive Officer for the current fiscal year.
- The President and Chief Executive Officer, Louis Vachon, retired on October 31, 2021, after nearly 15 years in the role.
- Laurent Ferreira was appointed Chief Operating Officer on February 1, 2021. He then succeeded Louis Vachon as President and Chief Executive Officer on November 1, 2021, in accordance with the Bank's succession planning process.

Fiscal 2022

- To support our efforts to simplify, digitize, and automate our processes, the Operations and IT sectors are now grouped into a single team. Julie Lévesque, previously in charge of the IT sector, now leads the new Technology and Operations team as its Executive Vice-President.
- With the objective to offer a revamped client-centric approach and stand-out by adopting a unique market position, a merger of the Commercial Banking and Private Banking 1859 sales forces has been formed and is co-led by Stéphane Achard and Éric Bujold, Executive Vice-Presidents and Co-Heads of Commercial Banking and Private Banking.
- Changes have been made to the share ownership requirements as of February 1, 2022 for the President and Chief Executive Officer and the Other Executive Officers.

KEY PRINCIPLES OF THE COMPENSATION POLICY FOR EXECUTIVE OFFICERS

1. Pay for performance

- ✓ Direct compensation consists mainly of at-risk variable compensation.
- ✓ Significant portions of variable compensation tied to the Bank's financial and share price performance.

TOTAL DIRECT Compensation			
FIXED Compensation (base salary)	VARIABLE Compensation		
	CASH Compensation (annual bonus)	DEFERRED Compensation	
		PSUs and/or RSUs	Stock options and/or DSUs

- ✓ Variable compensation is entirely at risk, fluctuates based on the creation of the SYNERGY – Executives envelope, which is influenced by the financial results, client experience measures and the operating leverage, retention, and contribution to the future success of the Bank.
- ✓ Individual awards are capped at 150% of target total direct compensation.

2. Promote sound risk-taking

- ✓ Variable compensation is aligned with short-, mid- and long-term risk horizons.

Components of variable compensation		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Short-term	Cash											
Mid-term	PSUs	 Vest after three years depending on relative TSR and adjustment range capped at 125%										
	RSUs	 Vest over a period of up to three years										
Long-term	Stock options	 Vest over a four-year period at a rate of 25% per year and stock options expiring after ten years										
	DSUs	 Vest over a four-year period at a rate of 25% per year and redeemable only at retirement or upon the termination of employment										

- ✓ The Compensation Risk Oversight Working Group supports the HRC and the Board in their human resources duties and compensation governance duties. The RMC examines the reports that this working group submits to the HRC.
- ✓ A Board-approved policy whereby previously granted variable compensation can be cancelled or clawed back.

3. Reward contribution

- ✓ Compensation is established based on the level of responsibility, expertise, competence, and experience.
- ✓ Peer group consists of Canadian banks and other financial institutions with profiles comparable to the Bank's.
- ✓ Target total direct compensation is set by adjusting the peer group median downward to reflect the relative size of the Bank, using Korn Ferry's evaluation method.

4. Align vision with that of Shareholders

- ✓ **Advisory vote is held on the approach to executive compensation (“say on pay”).**
- ✓ **Rigorous governance is applied to deferred compensation plans, in particular the Stock Option Plan.**
- ✓ **Compensation of the President and Chief Executive Officer is aligned with TSR.**

The Board is satisfied that the Bank’s compensation approach is conducive to long-term value creation for Shareholders. The average actual value of every \$100 granted annually to Louis Vachon, as President and Chief Executive Officer, in the form of direct compensation over the past ten years was \$210 on December 31, 2021. By comparison, from a Shareholder’s viewpoint, the average value of a \$100 annual investment in Common Shares of the Bank over the same period was \$255. For more information, refer to [page 104](#) of the Circular.

- ✓ **Anti-hedging policies and minimum share ownership requirements.**

An anti-hedging policy and share ownership guidelines aim to align the interests of Executive Officers, Officers, and material risk-takers with the Bank’s long-term performance. The requirement as at October 31, 2021 is expressed as a multiple of base salary, as follows:

Multiple of previous three years’ average base salary	Requirement	Multiple achieved
President and Chief Executive Officer	7 times	
Louis Vachon		127.7 times
Other Named Executive Officers	4 times	
Ghislain Parent		43.2 times
Laurent Ferreira		35.3 times
Denis Girouard		54.2 times
Martin Gagnon		40.4 times

1. Voting information

Obtaining the Circular

This year again, in compliance with securities regulations and with OSFI authorization, the Bank is adhering to the notice-and-access procedures for the delivery of the Circular issued by the Bank's management in connection with the solicitation of proxies for the purposes indicated in the Notice of Meeting, for use at the hybrid Meeting to be held at 10:00 a.m. (EDT) on Friday, April 22, 2022, at 600 De la Gauchetière Street West, 4th floor, Montreal, Quebec, Canada, and by live webcast at <https://web.lumiagm.com/409219865> and, if adjourned, at any reconvening thereof.

Therefore, instead of receiving the Circular by mail, Registered holders and Beneficial owners who hold Common Shares of the Bank at 5:00 p.m. (EST) on February 23, 2022, the record date for the Meeting, have access to the Circular online, as provided for in Regulation 51-102 and Regulation 54-101.

Shareholders will still receive by mail, along with the Notice of Meeting, a form of proxy or voting instructions form permitting them to exercise the voting rights attached to their Common Shares. This Notice of Meeting will explain to Shareholders how to view the Circular online and how to obtain a printed copy.

NOTICE-AND-ACCESS PROCEDURE

+ FASTER

+ GREENER




+ MORE ECONOMICAL

You can consult this Circular electronically by visiting
the nbc.ca/investorrelations page or sedar.com or envisionreports.com

1. Voting information



You may also ask to receive a free printed copy of the Circular before the Meeting or in the year after the date the Circular was filed by following the procedure below:

REGISTERED HOLDER		BENEFICIAL OWNER
Procedure	Before the Meeting, call:  1-866-962-0498 (toll-free in Canada and the United States) or 1-514-982-8716 (other countries)	After the Meeting, call:  1-866-964-0492 (toll-free in Canada and the United States) or 1-514-982-8714 (other countries)
	And enter the control number indicated on your form of proxy when required.	
		Call 1-877-907-7643 (toll-free in Canada and the United States) or  Go to proxyvote.com and enter the control number shown on your voting instructions form.

If you have any questions about the Meeting or the notice-and-access procedures, you may contact TMX Investor Solutions Inc., a proxy solicitation firm mandated by the Bank, at **1-800-622-1603** (toll-free in Canada and the United States) or 1-800-217-0538 (toll-free in other countries), or by email at: INFO_TMXIS@TMX.COM.

Proxies will be solicited by regular or electronic mail, by telephone or in person. Proxies will be solicited by employees, Officers, or Directors of the Bank or by representatives of TMX Investor Solutions Inc. The Bank estimates that it will pay approximately \$33,000 in fees to TMX Investor Solutions Inc. for such services.

Certain Beneficial owners may be contacted by TMX Investor Solutions Inc. and receive assistance to conveniently exercise their voting rights directly by telephone using the QuickVote™ service of Broadridge Investor Communications Corporation.

ELECTRONIC COPIES OF OTHER CONTINUOUS DISCLOSURE DOCUMENTS

You are also encouraged to use electronic delivery (e-delivery) to receive the Bank's other continuous disclosure documents, including annual and interim reports. You will be notified via email when a new document is made available, at which time it can be consulted or downloaded through nbc.ca.

HOW TO SIGN UP FOR E-DELIVERY

REGISTERED HOLDER

Registered holders may sign up for e-delivery at computershare.com/ca-en by following the instructions provided.

BENEFICIAL OWNER

Beneficial owners in Canada and the United States may sign up for e-delivery at proxyvote.com using the control number appearing on their voting instructions form or, after the Meeting, by obtaining a unique registration number from their intermediary.



By signing up for e-delivery, you will receive your documents faster and help protect the environment by reducing tree, water, and energy consumption.

Unless otherwise indicated, the information in the Circular is as at February 23, 2022.

1. Voting information

Attending the Meeting

This year, the Meeting will take place in a hybrid format. Therefore, you are invited to attend in person by going to **600 De La Gauchetière Street West, 4th floor, Montreal, Quebec, Canada** or by live webcast accessible directly online as of 9:00 a.m. (EDT) on April 22, 2022, at <https://web.lumiagm.com/409219865>, where you can take part, vote, and submit your questions during the Meeting.

Refer to the code of procedure for the Meeting available on [pages 139 and 140](#) of the Circular for more information on the proceedings of the Meeting.

A recording of the Meeting will be available for viewing on the nbc.ca website until the next annual meeting.

To reduce the potential health and safety risks related to COVID-19, and in accordance with the directives and guidance of various government bodies, the Bank will apply the safety protocols in effect at the time of the Meeting. If you opt for in-person attendance at the Meeting, we invite you to visit nbc.ca/investorrelations to learn about the measures required at the Meeting.

Right to vote

If you are a Registered holder or Beneficial owner of Common Shares of the Bank on February 23, 2022, at 5:00 p.m. (EST), you are entitled to receive the Notice of Meeting and to vote at the Meeting. Each of your Common Shares entitles you to cast one vote on each item listed in the Notice of Meeting.

You may exercise your voting rights before or during the Meeting. How you exercise your voting rights depends on whether you are a Registered holder or a Beneficial owner (see the table of procedures on [pages 13 and 14](#)).

On February 23, 2022, there were 338,300,219 Common Shares of the Bank outstanding and conferring voting rights at the Meeting.

However, except for certain exceptions under the Act, it is prohibited to exercise voting rights attached to Common Shares of the Bank that are beneficially owned by:

- i) the Government of Canada or a province;
- ii) the government of a foreign country or of any political subdivision of a foreign country;
- iii) an agency of any of these entities;
- iv) a person who has acquired more than 10% of a class of Bank shares without the approval of the Minister of Finance (Canada); or
- v) a person who holds a significant interest in a class of shares of another widely held bank or bank holding company with equity of \$12 billion or more.

In addition, no person and no entity controlled by any person may cast votes in respect of any shares beneficially owned by the person or the entity that represent, in the aggregate, more than 20% of the eligible votes.

As of February 23, 2022, management and the Board are not aware of any person who owns or exercises control or direction over more than 10% of the outstanding shares.

1. Voting information

Designating a proxyholder to represent you

You may appoint a proxyholder to represent you at the Meeting and to exercise your voting rights there. For more information, refer to [page 15](#).

Securities brokers and other intermediaries and their duly authorized agents are prohibited from exercising the voting rights attached to your Common Shares on your behalf unless you specifically instruct them to do so.

The proxyholders already designated in the form of proxy or voting instructions form are Directors of the Bank. If you wish to appoint as your proxyholder a person other than those whose names are printed on the form of proxy or voting instructions form, you may do so by striking out the names appearing thereon and inserting such other person's name in the blank space provided.

If the Registered holder or Beneficial owner is a business corporation or a corporate entity, the form of proxy or voting instructions form must be signed by a duly authorized officer or agent of said Registered holder or Beneficial owner. Your proxyholder need not be a Holder of Common Shares of the Bank.

How your proxyholder will exercise the voting rights attached to your shares

The proxyholder whom you appoint on the form of proxy or the voting instructions form will exercise the voting rights attached to your Common Shares in accordance with the voting instructions you carefully indicated on either of those forms.

If no voting instructions are given, the Directors of the Bank previously designated as proxyholders on the form of proxy or voting instructions form will exercise the voting rights attached to your Common Shares as follows:

Matters set out in the Notice of Meeting	Vote
Election of each of the Director nominees	FOR
Board's approach to executive compensation	FOR
Appointment of Deloitte as independent auditor	FOR
Proposals presented by a Shareholder and reproduced in Appendix A of the Circular	AGAINST

If no instructions are given, any other proxyholder will have discretionary authority when exercising the voting rights attached to your Common Shares concerning these matters.

1. Voting information

Amendments or additions to agenda items on the day of the Meeting

Your proxyholder has discretionary authority with respect to any amendments or changes proposed at the Meeting to the matters set out in the Notice of Meeting, and with respect to any other business that may properly come before the Meeting. However, they may vote only on the appointment of an independent auditor or the election of a Director whose appointment or election is proposed in the form of proxy, the voting instructions form, or the Circular.

On the date of the Circular, the Bank's management is not aware of any amendment or other matter that will be duly presented at the Meeting.

Counting of votes and protection of confidentiality

To protect the confidential nature of voting, the votes exercised by Registered holders are received and compiled for the Meeting by Computershare, the Bank's registrar and transfer agent, while the votes cast by Beneficial owners are compiled and submitted by intermediaries to Computershare. Computershare submits a copy of a form of proxy to the Bank only when a Shareholder clearly wishes to express a personal opinion to management or when necessary to comply with legal requirements.

Seeing the voting results

After the Meeting, the Bank will immediately issue a press release on the voting results. You will be able to see these results directly on the nbc.ca or sedar.com websites.

1. Voting information

EXERCISING VOTING RIGHTS

REGISTERED HOLDER

OPTION 1
Vote by form of proxy
(in advance)

If you wish to exercise your voting rights before the Meeting is held, you may give your instructions using one of the following methods:



Go to the following **website**:
www.investorvote.com



Send the duly completed, signed and dated (on the back) form of proxy by **fax** to 1-866-249-7775 (toll-free in Canada and the United States) or 1-416-263-9524 (other countries).



Using the envelope provided, send the duly completed, signed, and dated (on the back) form of proxy by **mail** to 100 University Avenue, 8th Floor, Toronto, Ontario, Canada M5J 2Y1.

BENEFICIAL OWNER

OPTION 1
Vote by voting instructions form
(in advance)

If you wish to exercise your voting rights before the Meeting is held, you may give your instructions using one of the following methods:



Go to the following **website**:
www.proxyvote.com



Call 1-800-474-7493
(for service in English) or
1-800-474-7501
(for service in French).



Using the envelope provided, send the duly completed, signed, and dated (on the back) voting instructions form by **mail**.

OPTION 2
Voting in person at the Meeting

If you would like to exercise your voting rights during the Meeting, please register with Computershare when you arrive at 600 De La Gauchetière Street West, 4th floor, Montreal, Quebec, Canada.

OPTION 2
Voting in person at the Meeting

If you would like to exercise your voting rights during the Meeting, please follow the steps below:

- Identify yourself as a proxyholder by entering your name in the space provided on the voting instructions form you received by mail or email, as applicable;

Note: Do not otherwise complete the section of the form on voting rights, as your vote will be taken during the Meeting.

- Return the form according to the instructions provided thereon no later than 5:00 p.m. (EDT) on April 19, 2022 in order for your form to be processed before 5:00 p.m. (EDT) on April 20, 2022.

1. Voting information

EXERCISING VOTING RIGHTS

REGISTERED HOLDER

OPTION 3**Vote online during the Meeting**

If you would like to exercise your voting rights online during the Meeting, please follow the steps below. The link will become accessible one hour before the Meeting.

Note: Make sure to have on hand your 15-digit control number, which can be found on the form of proxy that you received by mail or email.

Step 1:

- Go to:
<https://web.lumiagm.com/409219865>

Step 2:

- Click on “Login” and enter your 15-digit control number as a user and the following password: “bnc2022” (case-sensitive)

BENEFICIAL OWNER

OPTION 3**Vote online during the Meeting**

If you would like to exercise your voting rights online during the Meeting, you will need to follow these steps:

Step 1:

- Identify yourself as a proxyholder by entering your name in the space provided on the voting instructions form you received by mail or email, as applicable;

Note: Do not otherwise complete the section of the form on voting rights, as your vote will be taken during the Meeting.

- Return the form according to the instructions provided thereon no later than 5:00 p.m. (EDT) on April 19, 2022 in order for your form to be processed before 5:00 p.m. (EDT) on April 20, 2022.

Step 2:

- Register as a proxyholder with Computershare by going to <http://www.computershare.com/nationalbank> no later than 5:00 p.m. (EDT) on April 20, 2022.
- Computershare will send you a new control number by email that will allow you to vote online.

Note: If you omit either of these two steps, you will not receive the information you need to vote at the Meeting.

Step 3:

- Please follow the steps below on the day of the Meeting. The link will become accessible one hour before the Meeting.

Note: Make sure to have on hand the control number received by email from Computershare.

1. Go to:
<https://web.lumiagm.com/409219865>
2. Click on “Login” and enter your control number received from Computershare as a user and the following password: “bnc2022” (case-sensitive)

1. Voting information

DESIGNATING A PROXYHOLDER OR REVOKING YOUR VOTING INSTRUCTIONS

REGISTERED HOLDER	BENEFICIAL OWNER
<p style="text-align: center;">PROXYHOLDER</p> <p>For your appointment of proxyholder to be considered valid, please follow these steps:</p> <p>Step 1:</p> <ul style="list-style-type: none"> Identify your proxyholder by entering his or her name in the section provided on the form of proxy you received by mail or email. Return the form of proxy no later than 5:00 p.m. (EDT) on April 20, 2022 using one of the methods indicated in Option 1 on page 13 (by web, fax, or mail). <p>Step 2:</p> <ul style="list-style-type: none"> Register your proxyholder by going to http://www.computershare.com/nationalbank no later than 5:00 p.m. (EDT) on April 20, 2022. <p>Computershare will send your proxyholder a new control number by email that will allow him or her to represent you and vote online.</p> <p>Note: If you omit either of these two steps, your proxyholder will not receive the information needed to represent you and vote at the Meeting.</p>	<p style="text-align: center;">PROXYHOLDER</p> <p>For your appointment of proxyholder to be considered valid, please follow these steps:</p> <p>Step 1:</p> <ul style="list-style-type: none"> Identify your proxyholder by entering his or her name in the section provided on the voting instructions form you received by mail or email. Return the form according to the instructions provided thereon no later than 5:00 p.m. (EDT) on April 19, 2022 in order for it to be processed before 5:00 p.m. (EDT) on April 20, 2022. <p>Step 2:</p> <ul style="list-style-type: none"> Register your proxyholder with Computershare by going to http://www.computershare.com/nationalbank no later than 5:00 p.m. (EDT) on April 20, 2022. <p>Computershare will send your proxyholder a new control number by email that will allow him or her to represent you and vote online.</p> <p>Note: If you omit either of these two steps, your proxyholder will not receive the information needed to represent you and vote at the Meeting.</p>
<p style="text-align: center;">REVOKING</p>	<p style="text-align: center;">REVOKING</p>
<p>You may revoke your proxy as follows:</p> <ul style="list-style-type: none"> ✓ by delivering a written notice to this effect, signed by you or by your duly authorized agent, to: c/o Senior Vice-President, Legal Affairs and Corporate Secretary, the contact information for which is provided on page 138 of the Circular, no later than the last business day preceding the date of the Meeting or prior to any reconvening thereof in case of an adjournment; or ✓ by revoking virtually on the day of the Meeting or, if adjourned, any reconvening thereof; or ✓ by completing, signing, and returning to Computershare, in the manner set out on the form of proxy, a new form of proxy bearing a later date than the form already returned. 	<p>You can revoke your voting instructions by following the procedure specified by your securities broker.</p>

2.

Business of the Meeting

Receive the consolidated financial statements and the independent auditor's report

The Bank's consolidated financial statements for the fiscal year ended October 31, 2021 and the independent auditor's report thereon are an integral part of the Bank's 2021 Annual Report, which is available on the nbc.ca and sedar.com websites.

Election of Directors

A total of 15 Directors are to be elected at the Meeting. Directors are elected individually each year. All of this year's Director nominees are currently Bank Directors, with the exception of Lynn Loewen. [Section 3](#) of the Circular provides a summary of the professional experience of each Director nominee.

If no voting instructions are given, the Bank Directors designated as proxyholders on the form of proxy or voting instructions form will exercise the voting rights attached to the Common Shares **FOR** the election of each of the Director nominees.

Each Director elected at the Meeting will hold office until his or her resignation, until the election or appointment of his or her replacement, or until the close of the next Annual Meeting of Shareholders of the Bank.

Majority voting

The Board has adopted a Majority Voting Policy governing the uncontested election of Directors. Under this policy, a Director nominee will be deemed not to have received the support of Shareholders, even if he or she is elected, if the number of votes withheld exceeds the number of votes cast in favour of his or her election at the Meeting.

A Director elected under such circumstances must immediately tender his or her resignation to the Conduct Review and Corporate Governance Committee, which, other than in exceptional circumstances, will submit a recommendation regarding the resignation to the Board. Within 90 days following the Meeting, the Board will issue a press release announcing the resignation of the Director in question or stating reasons for not accepting the resignation.

This majority voting mechanism does not apply, however, if a Director's election is contested.

After the Meeting, the Bank will promptly issue a press release announcing the full Director election voting results.

The Director nominee election results from the Annual Meeting held on April 23, 2021 are provided in the Director nominee career summaries of Section 3 of the Circular as well as on the nbc.ca and sedar.com websites.

The Majority Voting Policy is published in the “Governance” subsection under “About Us” on the nbc.ca website.



Advisory vote on the Board's approach to executive compensation

The Board, assisted by its Human Resources Committee, is responsible for setting the objectives and establishing the principles underlying the Bank's approach to executive compensation. The Board's objective is to provide Shareholders with clear explanations on the key components of executive compensation and on how its approach supports the Bank's strategic objectives.

By putting its executive compensation approach to an advisory vote, the Board is demonstrating its commitment to the Bank's Shareholders while recognizing its responsibility for executive compensation decisions. The Board considers it crucial for Shareholders to be well-informed and to fully understand the principles on which its compensation decisions are based. This advisory vote is part of an ongoing dialogue between Shareholders and the Board regarding the approach to executive compensation.

Last year, 95.43% of the votes cast were in favour of our approach to executive compensation and, over the past five years, our approach has always received the approval of at least 91.66% of the votes cast.

The resolution to be submitted to a vote is as follows:

“It is resolved, on an advisory basis and not to diminish the roles and responsibilities of the Board of Directors of the Bank, that the Holders of Common Shares accept the approach to executive compensation disclosed in National Bank of Canada's Management Proxy Circular delivered in advance of the Annual Meeting of the Holders of Common Shares to be held in 2022.”

The above advisory resolution on which Shareholders are asked to vote is not binding on the Board. However, the Board will consider the results of the vote when reviewing its approach to executive compensation.

The Human Resources Committee and the Board recommend voting **FOR** the advisory resolution on the Board's approach to executive compensation.

2. Business of the Meeting

For more information about the Board's approach to executive compensation, refer to [Section 7](#) of the Circular.

Shareholders who have concerns or questions about the Board's approach to executive compensation may contact the Board by email at boardofdirectors@nbc.ca or by mail c/o the Senior Vice-President, Legal Affairs and Corporate Secretary, National Bank of Canada, 600 De La Gauchetière Street West, 4th floor, Montreal, Quebec, Canada H3B 4L2.

Appointment of the independent auditor

During fiscal 2021, the Audit Committee conducted its annual assessment of the performance and service quality of professional chartered accounting firm Deloitte, in its capacity as independent auditor of the Bank. This assessment was based, among other factors, on the audit plan submitted, the risk areas identified, the nature of the work done by Deloitte, and the reports presented to the Audit Committee.

Given the satisfactory results of this assessment, the Audit Committee and the Board believe that Deloitte is the best choice in the interests of the Bank and its Shareholders, and they recommend voting **FOR** the appointment of Deloitte as independent auditor of the Bank for the fiscal year beginning November 1, 2021 and ending October 31, 2022.

Deloitte has been one of the Bank's audit firms since 1993 and became the Bank's sole independent auditor in 2003.

The resolution regarding the appointment of the independent auditor must be adopted by a majority of the votes cast by the Shareholders present or represented by proxy and entitled to vote at the Meeting.

For more information, refer to the section entitled Guidelines for the Management of Services Provided by the Independent Auditor, which is found within the Information on the Audit Committee section of the Bank's [2021 Annual Information Form](#).

Independent auditor fees

Each year, the Audit Committee recommends to the Board that it approve the fees to be paid to the independent auditor and the budget envelopes established under the Guidelines for the Management of Services Provided by the Independent Auditor. The following table shows the fees that Deloitte billed to the Bank and its subsidiaries for the various services rendered over the past two fiscal years.

	2021	2020
	(\$)	(\$)
Audit fees ⁽¹⁾	5,200,000	4,700,000
Fees for audit-related services ⁽²⁾	2,951,300	2,601,065
Subtotal	8,151,300	7,301,065
Fees for taxation services ⁽³⁾	469,189	62,699
Other fees ⁽⁴⁾	575,556	472,592
Total	9,196,045	7,836,356

- (1) Audit fees include the fees incurred to audit the Bank's consolidated financial statements and the financial statements of its subsidiaries or fees incurred for other services normally provided by the independent auditor in connection with statutory or regulatory filings or engagements required by applicable legislation. They also include fees for reviewing the Bank's interim condensed consolidated financial statements.
- (2) Fees for audit-related services include fees for comfort letters, statutory audits, certification services, consents, assistance with the preparation and review of documents filed with regulators, the interpretation of accounting and financial reporting standards, and the translation of Reports to Shareholders and related services performed by the Bank's independent auditor. They also include fees for accounting consultations in connection with acquisitions and divestitures and for internal control reviews.
- (3) Taxation service fees include fees for assistance in tax planning, during restructurings and when taking a tax position, as well as fees for the preparation and review of income and other tax returns and tax opinions.
- (4) Other fees include fees for project-related advisory services, for risk management services, and for statutory or regulatory compliance services.

2. Business of the Meeting

Shareholder proposals

This year, the Bank has received, within the prescribed time limits, proposals from two shareholders, some of which will be submitted to Shareholder vote. For more details on these proposals, refer to [Appendix A](#) of this Circular.

The Board recommends to vote **AGAINST** each proposal that is submitted to Shareholder vote for the reasons listed in [Appendix A](#).

The deadline by which the Bank must receive proposals from its Shareholders for presentation at the Annual Meeting of Shareholders to be held in 2023 is Friday, November 25, 2022 at 5:00 p.m. (EST).

3.

Director nominees

This section presents information about each of the nominees proposed for election to the position of Director at the Bank. In particular, this information includes a summary of their career profile, the Board's position on each nominee, the Board committees on which they are members, their attendance at meetings during the past fiscal year, and the names of the public corporations on whose boards they currently serve or have served in the past five years.

The Board recommends that Shareholders vote **FOR** the election of all nominees.

MARYSE BERTRAND

SUMMARY OF PROFESSIONAL EXPERIENCE



Independent

Age 63
Westmount, Quebec, Canada

- Director since April 2012
- Voting results in 2021:
99.27% FOR

Main areas of expertise:

- Legal and Governmental Affairs
- Governance and Corporate Culture
- Social Responsibility, Environment and Sustainable Development
- Risk Oversight

Maryse Bertrand is a corporate director, serving on the boards of Metro Inc. and Gildan Activewear Inc. Since September 2018, she has also been a director of the Public Sector Pension Investment Board, where she chairs its governance committee and serves as a member of its human resources and compensation committee and its investment and risk committee. She is also a director of the Institute of Corporate Directors, Quebec Chapter and Vice-Chair of McGill University's board of governors, for which she is Vice-Chair of the committee to advise on matters of social responsibility. From 2009 to 2015, she was Vice-President, Real Estate, Legal Services and General Counsel with CBC/Radio-Canada, where she was also responsible for health, safety, and environmental matters. She holds a Law degree from McGill University and a Master's degree in Risk Management from New York University, Stern School of Business. Maryse Bertrand is a member of the Quebec Bar, which has awarded her the title of *Advocate Emeritus*.

Position of the Board

The Board benefits from Maryse Bertrand's directorship given her expertise in business law, corporate governance, and environmental responsibility. Through her various chair roles on boards and committees of public and private companies, she has acquired leadership skills that are a major asset to the Board and to the committees on which she serves.

Roles on the Bank's Board and its committees	Meetings attended (in the past fiscal year)	Public corporations	Roles on boards and committees
Member of the Board	16/16	Director (in the past five years)	(as at October 31, 2021)
Member of the AC	5/6	Metro Inc.	2015 to date
Member of the HRC	7/8	Gildan Activewear Inc.	2018 to date
Total	28/30		

		<ul style="list-style-type: none"> • Member of the Human Resources Committee • Chair of the Governance and Corporate Responsibility Committee
		<ul style="list-style-type: none"> • Member of the Audit and Finance Committee • Chair of the Corporate Governance and Social Responsibility Committee

3. Director nominees

PIERRE BLOUIN



Independent

Age 64

Montreal, Quebec, Canada

- Director since September 2016
- Voting results in 2021: 99.21% FOR

SUMMARY OF PROFESSIONAL EXPERIENCE

Main areas of expertise:

- Audit and Finance
- Entrepreneurship and Strategic Leadership
- Client Experience
- Information Technology, Security and Digital Solutions

Pierre Blouin is a corporate director, serving on the board of Fortis Inc. Since February 2019, he has also served on the board of Telecon Inc. and chairs its human resources committee. Since 2015, he has served on the board of directors of the Montreal Heart Institute Foundation, chairing its information technology committee since June 2017 and having served on its audit committee from June 2015 to June 2017. He was Chief Executive Officer of Manitoba Telecom Services Inc. from 2005 to 2014. He also held positions of increasing responsibility throughout his 20-plus year career at BCE, including that of President and Chief Executive Officer of Bell Mobility Inc., of Chief Executive Officer of BCE Emergis Inc., and of Group President, Consumer Markets, Bell Canada. Mr. Blouin holds a Bachelor of Business Administration with a specialization in finance and marketing from HEC Montréal. He is a Fellow of the Purchasing Management Association of Canada.

Position of the Board

The Board benefits from Pierre Blouin's directorship given his extensive knowledge and experience in client experience management and in information technologies that he has acquired during his career in telecommunications companies. His strong skillset is a major asset to the Board, to the committees on which he serves, and to the Technology Subcommittee, which he chairs.

Roles on the Bank's Board and its committees	Meetings attended (in the past fiscal year)		Public corporations (in the past five years)	Roles on boards and committees (as at October 31, 2021)
Member of the Board	16/16	100%	Director	
Member of the AC	6/6	100%	Fortis Inc.	2015 to date
Member of the HRC	8/8	100%		• Chair of the Governance and Sustainability Committee
Chair and member of the TSC	5/5	100%		• Member of the Human Resources Committee
Total	35/35	100%		

PIERRE BOIVIN



Independent

Age 68

Montreal, Quebec, Canada

- Director since April 2013
- Voting results in 2021: 98.25% FOR

SUMMARY OF PROFESSIONAL EXPERIENCE

Main areas of expertise:

- Entrepreneurship and Strategic Leadership
- Employee Experience and Executive Compensation
- Social Responsibility, Environment and Sustainable Development
- Information Technology, Security and Digital Solutions

Pierre Boivin has been President and Chief Executive Officer of private equity firm Claridge Inc. since 2011. He has been a director of Metro Inc. since 2019 and has chaired its board of directors since January 2021. He is also a director of CH Group Inc., which manages the Club de hockey Canadiens Inc. and the Bell Centre. Active in the development of artificial intelligence in Quebec and across Canada, Pierre Boivin is the Chair of the Board of MILA – Institut québécois d'intelligence artificielle. For many years, he has also served on various boards of directors of public and private companies operating in the field of information and digital technologies. He founded the Montreal Canadiens Children's Foundation and chairs its board of directors. Mr. Boivin studied Commerce at McGill University and was awarded an Honorary Doctorate by Université de Montréal. Pierre Boivin has an Institute of Corporate Directors, Director designation. He has also been appointed Officer of the Order of Canada and Knight of the Ordre national du Québec.

Position of the Board

Pierre Boivin provides the Board with extensive experience as a director of public and private companies, particularly in the areas of information and digital technologies as well as in artificial intelligence development. In addition, his solid knowledge of human resources principles and practices is a major asset to the Board and to the Human Resources Committee, of which he is a member and which he chairs.

Roles on the Bank's Board and its committees	Meetings attended (in the past fiscal year)		Public corporations (in the past five years)	Roles on boards and committees (as at October 31, 2021)
Member of the Board	15/16	94%	Director	
Chair and member of the HRC	8/8	100%	Metro Inc.	2019 to date
Total	23/24	96%	Canadian Tire Corporation Limited	2013 to 2020
				–

3. Director nominees

YVON CHAREST



Independent
Age 65
Quebec City, Quebec, Canada

- Director since April 2020
- Voting results in 2021:
99.21% FOR

SUMMARY OF PROFESSIONAL EXPERIENCE

Main areas of expertise:

- Audit and Finance
- Entrepreneurship and Strategic Leadership
- Governance and Corporate Culture
- Risk Oversight

Yvon Charest is a corporate director. He is a director of a American Life Insurance Company and has chaired the board of Propulsons Québec vers la modernité (l'aj ma passe) since 2019. He also serves as a Special Advisor to Infrastructure Canada. Over his close to 40-year career at Industrial Alliance Insurance and Financial Services Inc., he has held positions of increasing responsibility, including that of President and Chief Executive Officer from 2000 to 2019. Mr. Charest holds a Bachelor of Actuarial Science from Université Laval and is a Fellow of the Canadian Institute of Actuaries (FCIA) and a Fellow of the Society of Actuaries (FSA) and has received, in 2020, the President's Award from the Canadian Institute of Actuaries. He has also been appointed Officer of the Order of Canada and Knight of the Ordre national du Québec.

Position of the Board

Yvon Charest provides the Board with extensive knowledge in the area of financial services. His experience in risk management and in implementing a culture of transparency in a large public company is a major asset to the Board, to the committees on which he serves, and to the Conduct Review and Corporate Governance Committee, which he chairs.

Roles on the Bank's Board and its committees	Meetings attended (in the past fiscal year)	
Member of the Board	16/16	100%
Member of the RMC	19/19	100%
Member of the HRC	8/8	100%
Chair and member of the CRCGC ⁽¹⁾	3/3	100%
Total	46/46	100%

Public corporations	Roles on boards and committees
Director (in the past five years)	(as at October 31, 2021)
Industrial Alliance Insurance and Financial Services Inc.	1999 to 2019 –

PATRICIA CURADEAU-GROU



Independent
Age 66
Montreal, Quebec, Canada

- Director since April 2019
- Voting results in 2021:
99.84% FOR

SUMMARY OF PROFESSIONAL EXPERIENCE

Main areas of expertise:

- Audit and Finance
- Entrepreneurship and Strategic Leadership
- Financial Markets and Banking Services
- Risk Oversight

Patricia Curadeau-Grou is a corporate director, serving on the board of Cogeco Inc. and various other boards, including that of Pointe-à-Callière, Montreal Museum of Archaeology and History and Pomerleau Inc. From 2013 to 2019, she served on the board of Caisse de dépôt et placement du Québec. Throughout her career at the Bank from 1991 to 2015, Ms. Curadeau-Grou held several positions, notably that of Chief Financial Officer and Executive Vice-President – Finance, Risk and Treasury and that of Executive Vice-President – Risk Management and Advisor to the President and Chief Executive Officer. Ms. Curadeau-Grou holds a Bachelor of Commerce from McGill University (Finance and Marketing option) and has an Institute of Corporate Directors, Director designation. She has also been inducted into the Women's Executive Network Hall of Fame for Canada's most powerful women.

Position of the Board

Patricia Curadeau-Grou provides the Board with expertise in finance, risk oversight, and strategic management. Her extensive senior management experience in the banking industry and as a corporate director are major assets to the Board and to the committees on which she serves.

Roles on the Bank's Board and its committees	Meetings attended (in the past fiscal year)	
Member of the Board	16/16	100%
Member of the RMC	19/19	100%
Member of the CRCGC	5/5	100%
Member of the TSC ⁽²⁾	1/2	50%
Total	41/42	98%

Public corporations	Roles on boards and committees
Director (in the past five years)	(as at October 31, 2021)
Cogeco Inc.	2020 to date
	<ul style="list-style-type: none"> • Member of the Audit Committee • Member of the Human Resources Committee • Member of the Strategic Opportunities Committee
Cogeco Communications Inc.	2012 - 2020
Uni-Select Inc.	2013 - 2018

3. Director nominees

LAURENT FERREIRA

Non-independent
Officer

Age 51

Westmount, Quebec, Canada

- Director since February 2021
- Voting results in 2021:
98.92% FOR

SUMMARY OF PROFESSIONAL EXPERIENCE

Main areas of expertise:

- Audit and Finance
- Entrepreneurship and Strategic Leadership
- Financial Markets and Banking Services
- Risk Oversight

Laurent Ferreira has been President and Chief Executive Officer of the Bank since November 1, 2021. At the time of his appointment, he had been holding the position of Chief Operating Officer since February 2021. He began his career in 1996 at Bankers Trust and joined the Bank in 1998, where he has held a series of management positions, notably that of Executive Vice-President and Managing Director – Derivatives and Equities at National Bank Financial Inc. from January 2015 to November 2018 and that of Executive Vice-President and Co-Head – Financial Markets from November 2018 to January 2021. He is a board member of National Bank Acquisition Holding Inc., a subsidiary of the Bank, and has served on the board of directors of Hydro-Québec from 2014 to 2019. His involvement in social organizations includes serving as Co-Chair of the fundraising campaign of the Women's Y Foundation of Montreal. He holds a Bachelor's degree in Economics from Université du Québec à Montréal and a Master's degree in Finance from HEC Montréal.

Position of the Board

The Board benefits from Laurent Ferreira's directorship given the expertise in operating and developing financial services that he acquired through his various roles within the Bank and its subsidiaries. In addition, his proficient knowledge of risk oversight, financial markets, and the banking industry are major assets to the Board.

Roles on the Bank's Board and its committees	Meetings attended (in the past fiscal year)		Public corporations	Roles on boards and committees
Member of the Board ⁽⁹⁾	12/12	100%	Director (in the past five years)	(as at October 31, 2021)
Total	12/12	100%	–	–

JEAN HOUDE



Independent

Age 76

Quebec City, Quebec, Canada

- Director since March 2011
- Voting results in 2021:
99.16% FOR

SUMMARY OF PROFESSIONAL EXPERIENCE

Main areas of expertise:

- Audit and Finance
- Entrepreneurship and Strategic Leadership
- Employee Experience and Executive Compensation
- Governance and Corporate Culture

Jean Houde has served as Chair of the Board since April 2014. He is also a member of the board of directors of the Institut du Québec, a board member and a member of the finance and audit committee of the Montreal Museum of Fine Arts, and Vice-Chair of the board of directors and Chair of the human resources committee of Université Laval. He was Chair of the board of directors of Énergir Inc. from 2011 to 2020. Previously, Mr. Houde was a business development advisor at the accounting firm Samson Bélair/Deloitte & Touche LLP, the Deputy Minister of Finance of Quebec, and Chair of the board of directors and Chief Executive Officer of Investissement Québec. From 1990 to 2003, he held several positions at the Bank, including Senior Vice-President, Human Resources; Senior Vice-President, Personal Banking; and Senior Vice-President, Corporate Affairs. He holds a Law degree and a Master of Business Administration from Université Laval. He has been awarded an Honorary Doctorate by Université du Québec à Trois-Rivières. Jean Houde is a member of the Quebec Bar, which has awarded him the title of *Advocatus Emeritus*. He is a Fellow of the Institute of Corporate Directors and a member of the Order of Canada.

Position of the Board

Jean Houde provides the Board with strategic leadership and the extensive knowledge of finance he has acquired throughout his career in large companies and government bodies. His skillset, combined with his experience serving and chairing various boards of directors, are major assets to the Board, which he chairs, and to the committee on which he serves.

Roles on the Bank's Board and its committees	Meetings attended (in the past fiscal year)		Public corporations	Roles on boards and committees
Chair and member of the Board	16/16	100%	Director (in the past five years)	(as at October 31, 2021)
Member of the CRGCG	5/5	100%	Énergir Inc.	2012 to 2020
Total	21/21	100%	–	–

3. Director nominees

KAREN KINSLEY



Independent

Age 65
Ottawa, Ontario, Canada

- Director since December 2014
- Voting results in 2021:
99.06% FOR

SUMMARY OF PROFESSIONAL EXPERIENCE

Main areas of expertise:

- Audit and Finance
- Entrepreneurship and Strategic Leadership
- Governance and Corporate Culture
- Financial Markets and Banking Services

Karen Kinsley is a corporate director, serving on the boards of Saputo Inc. and Choice Properties Real Estate Investment Trust. From 2017 to 2018, she was a director at the Canadian Real Estate Investment Trust and a member of its audit committee⁽⁶⁾. Throughout her 25-year career with Canada Mortgage and Housing Corporation (CMHC), Canada's housing authority, she held positions of increasing responsibility, including that of President and Chief Executive Officer from 2003 to 2013. Karen Kinsley holds a Bachelor of Commerce from the University of Ottawa. She is a Fellow of the Chartered Professional Accountants of Ontario and has received the Institute of Corporate Directors, Director designation.

Position of the Board

The Board benefits from Karen Kinsley's directorship given the considerable experience in real estate and finance that she has acquired throughout her career at a Crown Corporation and given her role as a director in public companies. In addition, her accounting expertise is a major asset to the Board, to the committees on which she serves, and to the Audit Committee, which she chairs.

Roles on the Bank's Board and its committees	Meetings attended (in the past fiscal year)	
Member of the Board	16/16	100%
Chair and member of the AC	6/6	100%
Member of the RMC	19/19	100%
Total	41/41	100%

Public corporations	Roles on boards and committees
Director (in the past five years)	(as at October 31, 2021)
Choice Properties Real Estate Investment Trust	2018 to date
Saputo Inc.	2015 to date
Canadian Real Estate Investment Trust ⁽⁶⁾	2017 - 2018
	• Chair of the Audit Committee
	• Member of the Audit Committee

LYNN LOEWEN



Independent

Age 60
Westmount, Quebec, Canada

- New nominee

SUMMARY OF PROFESSIONAL EXPERIENCE

Main areas of expertise:

- Audit and Finance
- Entrepreneurship and Strategic Leadership
- Social Responsibility, Environment and Sustainable Development
- Information Technology, Security and Digital Solutions

Lynn Loewen is a corporate director, serving on the board of Emera Incorporated. She also serves as a director of Xplornet Communications Inc. since 2021, where she is a member of its audit committee. During her career, she held the position of President at Minogue Medical Inc. from 2016 to 2019. Prior to that, she had held the position of Chief Operating Officer at the organization. She has also worked in the telecommunications sector, serving as President of Expertech Network Installation Inc. and as Vice-President of Financial Controls and Vice-President of Finance Operations at BCE Inc. She has been the Chancellor of Mount Allison University since 2018 and was a member of its board from 1998 to 2008. She holds a Bachelor of Commerce from Mount Allison University. She is a Fellow of the Chartered Professional Accountants of Nova Scotia and has received the Institute of Corporate Directors, Director designation.

Position of the Board

The Board will benefit from Lynn Loewen's extensive experience in the areas of audit, financial control, and finance which she has gained from the various positions held during her career. Furthermore, the social responsibility, environment, and sustainable development skills she has acquired through her directorships at various organizations will be an asset to the Board.

Roles on the Bank's Board and its committees	Meetings attended (in the past fiscal year)	
New nominee	–	–

Public corporations	Roles on boards and committees
Director (in the past five years)	(as at October 31, 2021)
Emera Incorporated	2013 to date
	• Member of the Audit Committee
	• Member of the Health, Safety and Environment Committee
	• Member of the Risk and Sustainability Committee

3. Director nominees

REBECCA MCKILICAN



Independent

Age 42
Oakville, Ontario, Canada

- Director since October 2017
- Voting results in 2021:
99.24% FOR

SUMMARY OF PROFESSIONAL EXPERIENCE

Main areas of expertise:

- Entrepreneurship and Strategic Leadership
- Client Experience
- Social Responsibility, Environment and Sustainable Development
- Information Technology, Security and Digital Solutions

Rebecca McKillican has been Chief Executive Officer of McKesson Corporation Canada, a Canadian pharmaceutical distributor, since August 2020. At the time of her appointment, she had been holding the position of President, Retail Solutions, since October 2019. From 2013 to 2019, she served as President and Chief Executive Officer of Well.ca Inc., a leading e-commerce health and wellness company. Prior to that, she was a Senior Advisor to the specialized operations department within the retail and consumer group of the private equity firm Kohlberg, Kravis & Roberts & Co., L.P., where she worked on improving operations of the portfolio companies, including ESG initiatives. She holds a Bachelor of Business Administration from the Ivey Business School, a Bachelor's degree in Software Engineering from Western University, and a Master of Business Administration from Harvard Business School. She received the 2021 New CEO of the Year award granted by the Globe and Mail.

Position of the Board

Rebecca McKillican provides the Board with solid experience in developing and implementing strategies designed to improve customer satisfaction and experience, particularly through digital service offerings. In addition, her knowledge of corporate responsibility and sustainable development practices is a major asset to the Board and to the committees on which she serves.

Roles on the Bank's Board and its committees	Meetings attended (in the past fiscal year)	
Member of the Board	16/16	100%
Member of the HRC	8/8	100%
Member of the TSC	5/5	100%
Total	29/29	100%

Public corporations	Roles on boards and committees
Director (in the past five years)	(as at October 31, 2021)
–	–

ROBERT PARÉ



Independent

Age 67
Westmount, Quebec, Canada

- Director since April 2018
- Voting results in 2021:
99.81% FOR

SUMMARY OF PROFESSIONAL EXPERIENCE

Main areas of expertise:

- Legal and Governmental Affairs
- Employee Experience and Executive Compensation
- Governance and Corporate Culture
- Financial Markets and Banking Services

Since February 2018, Robert Paré has been a Strategic Advisor to the law firm Fasken Martineau DuMoulin LLP, where he had previously held a position of Senior Partner specializing in governance and corporate and commercial law. He has also been a director of Quebecor Inc. since 2014 and of the Institute for Research in Immunology and Cancer since 2018. Since September 2018, he has served on the board and has been a member of the governance and human resources committee of the Institute of Corporate Directors, also serving as a director of the Quebec Chapter from 2010 to 2018. Mr. Paré has served on the boards of various other major companies such as Essilor Group Canada Inc.⁽⁵⁾ and Groupe BMTC Inc. He holds a Bachelor's degree in Law from Université Laval and is a member of the Quebec Bar.

Position of the Board

The Board benefits from Robert Paré's directorship given the knowledge he has acquired during a 40-plus career in business law, particularly in the areas of capital markets, mergers and acquisitions, and corporate governance. In addition, his experience as a director of public companies is a major asset to the Board and to the committees on which he serves.

Roles on the Bank's Board and its committees	Meetings attended (in the past fiscal year)	
Member of the Board	16/16	100%
Member of the CRGCG	5/5	100%
Member of the HRC ⁽⁶⁾	3/3	100%
Total	24/24	100%

Public corporations	Roles on boards and committees
Director (in the past five years)	(as at October 31, 2021)
Quebecor Inc.	2014 to date
ADF Group Inc.	2009 - 2019
–	–

3. Director nominees

LINO A. SAPUTO



Independent

Age 55

Montreal, Quebec, Canada

- Director since April 2012
- Voting results in 2021: 99.10% FOR

SUMMARY OF PROFESSIONAL EXPERIENCE

Main areas of expertise:

- Entrepreneurship and Strategic Leadership
- Client Experience
- Governance and Corporate Culture
- Risk Oversight

Lino A. Saputo has been Chief Executive Officer of Saputo Inc., one of the world's largest dairy processors, since 2004. He has been President of the organization since January 2022, has been Chair of the board since 2017, and was Vice-Chairman of the board from 2011 to 2017. Involved with a number of charitable organizations, he co-founded the Amelia & Lino Saputo Jr. Foundation in 2011 and has been Co-Chair of the Campaign for Concordia since 2017. In addition, he was Chair of the board of directors of the Montreal Heart Institute Foundation from 2018 to 2020. Mr. Saputo holds a Bachelor's degree in Political Science from Concordia University.

Position of the Board

The Board benefits from Lino A. Saputo's directorship given the experience he has acquired as the business executive of a large, international public company, notably his experience in the areas of risk management, international growth, and strategic planning. His proficient knowledge of client relations and client experience are also major assets to the Board and to the committee on which he serves.

Roles on the Bank's Board and its committees	Meetings attended (in the past fiscal year)	
Member of the Board	16/16	100%
Chair and member of the CRCGC ⁽⁹⁾	2/2	100%
Member of the RMC	19/19	100%
Total	37/37	100%

Public corporations	Roles on boards and committees
Director (in the past five years)	(as at October 31, 2021)
Saputo Inc. 2001 to date	• Chair of the Board
Transcontinental Inc. 2008 - 2017	–

ANDRÉE SAVOIE



Independent

Age 50

Dieppe, New Brunswick, Canada

- Director since April 2015
- Voting results in 2021: 99.84% FOR

SUMMARY OF PROFESSIONAL EXPERIENCE

Main areas of expertise:

- Entrepreneurship and Strategic Leadership
- Client Experience
- Governance and Corporate Culture
- Social Responsibility, Environment and Sustainable Development

Andrée Savoie has been President and Chair of the board of directors of Acadian Properties Ltd.⁽⁸⁾, a commercial real estate development and property management company in the Maritime Provinces, since 2016, and for which she was previously the Managing Director. She is a director on various boards of directors, including that of Opportunities New Brunswick since 2020. Since 2011, she has been a director of the board of Assumption Mutual Life Insurance Company, where she has chaired the board and the governance committee since 2019. Committed to her community, Andrée Savoie is Co-Founder of Crossroads 250⁽⁹⁾, an annual fundraising event in support of women and children living in situations of domestic violence. She holds a Bachelor's degree in Chemical Engineering from McGill University and a Master's degree in Applied Sciences (specialized in Environmental Engineering) from the University of Ottawa. She has received an Institute of Corporate Directors, Director designation.

Position of the Board

Andrée Savoie provides the Board with the considerable experience in developing and overseeing the growth of long-term business operations that she has acquired throughout her career. In addition, her knowledge of governance principles and practices as well as social and environmental measures are major assets to the Board and to the committees on which she serves.

Roles on the Bank's Board and its committees	Meetings attended (in the past fiscal year)	
Member of the Board	16/16	100%
Member of the AC	6/6	100%
Member of the CRCGC	5/5	100%
Total	27/27	100%

Public corporations	Roles on boards and committees
Director (in the past five years)	(as at October 31, 2021)
–	–

3. Director nominees

MACKY TALL**Independent**

Age 53

Idialantic, Florida, United States

- Director since April 2021
- Voting results in 2021:
99.80% FOR

SUMMARY OF PROFESSIONAL EXPERIENCE

Main areas of expertise:

- Audit and Finance
- Entrepreneurship and Strategic Leadership
- Social Responsibility, Environment and Sustainable Development
- Risk Oversight

Macky Tall has been a Partner and Chair, since September 2021, of The Carlyle Group Inc.'s Infrastructure Group, which is responsible for renewable-energy-related activities within the global investment firm. He had been serving as Partner and Co-Chair of this group since April 2021. He has been a member of the board of directors of the Chamber of Commerce of Metropolitan Montreal since 2019 and a member of the investment committee of the United Nations Joint Staff Pension Fund since 2020. During his 15-plus year career at Caisse de dépôt et placement du Québec, he held positions of increasing responsibility, including that of Head of Real Assets and Private Equity in 2020 and that of President and Chief Executive Officer of CDPQ Infra from 2015 to 2020. Macky Tall holds a Bachelor of Business Administration (Finance) from HEC Montréal and a Master of Business Administration (Finance) from the University of Ottawa. He has also completed an undergraduate degree in Economics at Université de Montréal.

Position of the Board

Macky Tall provides the Board with the extensive experience in finance, business, and risk management that he has acquired through various roles in major investment companies and government institutions. Throughout his career, he has developed an expertise in implementing environmental measures and sustainable development strategies, which are major assets to the Board and to the committee on which he serves.

Roles on the Bank's Board and its committees	Meetings attended (in the past fiscal year)	Public corporations	Roles on boards and committees
Member of the Board ⁽¹⁰⁾	9/9	Director (in the past five years)	(as at October 31, 2021)
Member of the RMC ⁽¹⁰⁾	8/9	–	–
Total	17/18		

PIERRE THABET**Independent**

Age 64

Saint-Georges, Quebec, Canada

- Director since March 2011
- Voting results in 2021:
99.29% FOR

SUMMARY OF PROFESSIONAL EXPERIENCE

Main areas of expertise:

- Audit and Finance
- Entrepreneurship and Strategic Leadership
- Social Responsibility, Environment and Sustainable Development
- Risk Oversight

Pierre Thabet has been President of Boa-Franc Inc., a manufacturer of pre-finished hardwood floors, since September 1983. He has also been the President of Prolam Limited Partnership, a manufacturer of trailer floors, since 1997. From 2006 to 2017, he sat on the board of directors of Canam Group Inc., serving on its audit committee from 2011 to 2017 and its human resources committee from 2006 to 2011. Pierre Thabet is involved in various social and economic organizations in his region. In 2010, he became an entrepreneurial coach at the École d'Entrepreneurship de Beauce, a school dedicated to training entrepreneurs in all industries. He holds a Bachelor's degree in Administration, specializing in Accounting, from Université de Moncton.

Position of the Board

The Board benefits from Pierre Thabet's directorship given his considerable experience in developing and overseeing the growth of long-term business operations that he acquired from his career in senior management in large companies. In addition, his accounting and risk oversight expertise are major assets to the Board, to the committees on which he serves, and to the Risk Management Committee, which he chairs.

Roles on the Bank's Board and its committees	Meetings attended (in the past fiscal year)	Public corporations	Roles on boards and committees
Member of the Board	16/16	Director (in the past five years)	(as at October 31, 2021)
Member of the AC	6/6	Canam Group Inc. ⁽¹¹⁾	2006 - 2017
Chair and member of the RMC	19/19	–	–
Total	41/41		

3. Director nominees

Notes on the tables of Director nominees

- (1) Yvon Charest was appointed as a member and as Chair of the CRCGC on April 23, 2021.
- (2) Patricia Curadeau-Grou was appointed as a member of the TSC on June 1, 2021.
- (3) Laurent Ferreira was appointed as a member of the Board of Directors on February 1, 2021.
- (4) On May 4, 2018, Canadian Real Estate Investment Trust and Choice Properties Real Estate Investment Trust entered into a business combination agreement. The combined entity operates under the corporate name Choice Properties Real Estate Investment Trust.
- (5) On January 1, 2020, Essilor Group Canada Inc. and EssilorLuxottica Canada Inc. were amalgamated.
- (6) Robert Paré was appointed as a member of the HRC on April 23, 2021.
- (7) Lino A. Saputo ceased to be a member and Chair of the CRCGC on April 23, 2021.
- (8) Acadian Properties Ltd. also operates under the name Adelin Properties.
- (9) The Crossroads 250 event is now known under the name Rock Run Atlantic.
- (10) Macky Tall was appointed as a member of the Board of Directors and a member of the RMC on April 23, 2021.
- (11) Canam Group Inc. ceased being a public company on July 5, 2017.

4.

Director compensation

The Board aims to offer compensation that reflects the complexity of the Bank's operations as well as the ever-growing responsibilities of directors. Each year, the Conduct Review and Corporate Governance Committee reviews the structure of the compensation program and assesses its competitiveness relative to the Bank's peer group.

The compensation program is structured to achieve the following objectives:

Recruit and retain experienced Directors

- Offer compensation that reflects the importance of the role of Directors as well as their workload and the time they devote to their duties
- Offer compensation that is competitive relative to the peer group, which is defined in [Section 7](#) of the Circular

Align the interests of Directors with those of Shareholders

- Pay annual compensation entirely in the form of Common Shares or DSUs until the Director has satisfied the share ownership requirements

CHANGES MADE TO THE COMPENSATION PROGRAM

Following the annual review of the Director compensation program, the Board approved the following changes, which took effect on May 1, 2021:

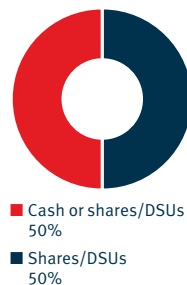
- The annual base salary of Directors increased from \$140,000 to \$155,000 (\$15,000 increase).
- The compensation of committee chairs increased from \$25,000 to \$35,000 (\$10,000 increase).
- The compensation of the subcommittee chair increased from \$15,000 to \$20,000 (\$5,000 increase).
- The share ownership requirement increased from \$560,000 to \$620,000 (\$60,000 increase to reflect the increase in the annual base salary of the Directors).

4. Director compensation

Including the above-mentioned changes, the total compensation is broken down as follows:

Total compensation			
Base salary		Additional compensation	
	Cash (\$) ⁽¹⁾	Shares or DSUs (\$)	Cash, shares or DSUs (choice of) (\$) ⁽²⁾
Board member, including participation in a committee or subcommittee	77,500	77,500	15,000 (per committee)
			10,000 (per subcommittee)
			225,000
Total		155,000	35,000 (per committee)
			20,000 (per subcommittee)

Breakdown of the base salary of Directors⁽¹⁾



- 50% of the base salary of Directors must be paid in the form of Bank securities (shares or DSUs). The remaining portion of the base salary (50%) may, if the Director chooses, be received in the form of cash, Common Shares, DSUs, or a combination of all three, provided that the share ownership requirements are met.
- Additional compensation consists of the compensation paid to members and chairs of the committees or of the subcommittee. The additional compensation may, if the Director chooses, be received in the form of cash, Common Shares, DSUs, or a combination of all three, provided that the share ownership requirements are met.
- The Chair of the Board receives additional compensation for the role of chair in addition to the compensation received as a member of the Board.
- 25% of the total compensation paid to the Chair of the Board must be in the form of Common Shares or DSUs, whichever he or she chooses.
- The chairs of the committees and of the subcommittee receive compensation in their roles as chairs in addition to the compensation they receive as members of a committee or of the subcommittee.

SHARE OWNERSHIP REQUIREMENTS

All independent Directors of the Bank must hold Common Shares or DSUs. Directors have five years from the date they take office to meet the following requirements.

Once the share ownership requirements have been met, Directors may elect to receive their compensation in the form of cash, Common Shares, or DSUs, subject to the portion of their compensation that must be paid in Common Shares or DSUs even if the minimum share ownership requirements have been met.

WHAT IS A DEFERRED SHARE UNIT (DSU)?

A deferred share unit is a right, the value of which is measured quarterly and equals the market value of a Common Share of the Bank on the date the units are credited to an account in the Director's name.

- Vested DSUs may be redeemed in cash only when the Director leaves all the positions he or she holds as a Director of the Bank.
- The DSUs must be redeemed in cash no later than the end of the calendar year following the year in which the Director leaves his or her duties.

REQUIREMENTS

Total value is equal to or greater than eight times the base salary payable to Directors in the form of Common Shares or DSUs.

Minimum share ownership requirement based on the closing price of the Common Shares of the Bank on the Toronto Stock Exchange on February 23, 2022.

MINIMUM REQUIRED

8 X \$77,500 = \$620,000

\$620,000 / \$101.21 = 6,126 Common Shares or DSUs

4. Director compensation

The following table presents the Common Shares and DSUs held by all Director nominees:

Total Common Shares and DSUs held by Director nominees		
	February 23, 2022	February 24, 2021
Common Shares	613,828	873,919
DSUs	172,984	150,568
Value (\$)	79,633,243	81,426,227

The total value of Common Shares and DSUs held by Directors is calculated by multiplying the number of Common Shares and DSUs held by each nominee on February 24, 2021 and on February 23, 2022 by the closing price of the Bank's Common Shares on the Toronto Stock Exchange at the close of markets on February 24, 2021 and on February 23, 2022, i.e., \$79.48 and \$101.21, respectively.

The following table presents a description of the total Common Shares and DSUs held by Director nominees according to the share ownership requirements:

Common Shares and DSUs held							
Year ⁽¹⁾	Total Common Shares ⁽²⁾	Total DSUs	Total Common Shares and DSUs	Share price ⁽³⁾ (\$)	Total market value of Common Shares and DSUs (\$)	Meets the Bank's share ownership requirements for Directors	
Maryse Bertrand							
2021	5,859	26,235	32,094	101.21	3,248,234	523.9%	Yes
2020	5,726	23,797	29,523	79.48	2,346,488	419.0%	Yes
Pierre Blouin							
2021	0	13,519	13,519	101.21	1,368,258	220.7%	Yes
2020	0	11,673	11,673	79.48	927,770	165.7%	Yes
Pierre Boivin							
2021	18,371	20,519	38,890	101.21	3,936,057	634.8%	Yes
2020	17,813	18,082	35,895	79.48	2,852,935	509.4%	Yes
Yvon Charest							
2021	14,718	0	14,718	101.21	1,489,609	240.3%	Yes
2020	13,456	0	13,456	79.48	1,069,483	191.0%	Yes
Patricia Curadeau-Grou							
2021	21,514	5,984	27,498	101.21	2,783,073	448.9%	Yes
2020	21,514	4,093	25,607	79.48	2,035,244	363.4%	Yes
Laurent Ferreira⁽⁴⁾							
2021	71,400	0	71,400	101.21	7,226,394	N/A	N/A
2020	44,400	0	44,400	79.48	3,687,872	N/A	N/A
Jean Houde							
2021	15,431	10,291	25,722	101.21	2,603,324	419.9%	Yes
2020	15,286	8,963	24,249	79.48	1,927,311	344.2%	Yes
Karen Kinsley							
2021	9,078	12,572	21,650	101.21	2,191,197	353.4%	Yes
2020	9,078	11,444	20,522	79.48	1,631,089	291.3%	Yes
Lynn Loewen⁽⁵⁾							
2021	0	0	0	0	0	0%	–
Rebecca McKillican							
2021	0	9,591	9,591	101.21	970,705	156.6%	Yes
2020	0	7,705	7,705	79.48	612,393	109.4%	Yes
Robert Paré							
2021	8,461	8,240	16,701	101.21	1,690,308	272.6%	Yes
2020	8,461	6,385	14,846	79.48	1,179,960	210.7%	Yes

4. Director compensation

Year ⁽¹⁾	Total Common Shares ⁽²⁾	Total DSUs	Total Common Shares and DSUs	Share price ⁽³⁾ (\$)	Total market value of Common Shares and DSUs (\$)	Meets the Bank's share ownership requirements for Directors	
Lino A. Saputo							
2021	73,217	23,221	96,438	101.21	9,760,490	1,574.2%	Yes
2020	73,088	20,922	94,010	79.48	7,471,915	1,334.3%	Yes
Andrée Savoie							
2021	3,405	16,091	19,496	101.21	1,973,190	318.3%	Yes
2020	3,367	14,140	17,507	79.48	1,391,456	248.5%	Yes
Macky Tall							
2021	0	1,187	1,187	101.21	120,136	19.4%	No
2020	0	0	0	79.48	0	0%	– ⁽⁶⁾
Pierre Thabet							
2021	372,374	25,534	397,908	101.21	40,272,269	6,495.4%	Yes
2020	361,291	22,797	384,088	79.48	30,527,314	5,451.3%	Yes

The following table provides a description of the total values of the Common Shares and DSUs held by Directors who served on the Board during the fiscal year, but are not Director nominees.

Common Shares and DSUs held							
Director and departure date ⁽⁷⁾	Total Common Shares ⁽⁸⁾	Total DSUs	Total Common Shares and DSUs	Share price ⁽⁹⁾ (\$)	Total market value of Common Shares and DSUs (\$)	Met the Bank's share ownership requirements for Directors	
Raymond Bachand							
April 23, 2021	2,979	11,085	14,064	88.04	1,238,195	221.1%	Yes ⁽¹⁰⁾
Manon Brouillette							
January 1, 2022	787	1,831	2,618	96.44	252,480	40.7%	No ⁽¹¹⁾
Louis Vachon⁽¹²⁾							
October 31, 2021	297,669	0	297,669	102.46	30,499,166	N/A	N/A

- This information reflects the situation as at February 23, 2022 (for 2021) and as at February 24, 2021 (for 2020).
- This number includes Common Shares directly or indirectly beneficially owned or controlled, including Common Shares held by a company controlled by a Director but excluding Common Shares under a Director's control for the benefit of a third party.
- These amounts represent the share price of the Bank's Common Shares on the Toronto Stock Exchange at the close of trading on February 23, 2022 (for 2021) and at the close of trading on February 24, 2021 (for 2020).
- Laurent Ferreira, as an executive Director of the Bank, does not receive any compensation for participating in the activities of the Board and its committees and subcommittee, and he must meet the share ownership requirements specific to his position of President and Chief Executive Officer. For more information about these requirements and Laurent Ferreira's compensation, including the value of his PSUs, RSUs, and options, refer to [Section 7](#) of the Circular.
- If elected as Director, Lynn Loewen will have a five-year grace period starting April 22, 2022 to meet share ownership requirements specific to her position of Director.
- Macky Tall has a five-year grace period starting on April 23, 2021, which is the date on which he was appointed as a Bank Director, to meet the share ownership requirements for Directors.
- The information reflects the ownership as at the departure date of the Director.
- This number includes Common Shares directly or indirectly beneficially owned or controlled, including Common Shares held by a company controlled by a Director but excluding Common Shares under a Director's control for the benefit of a third party.
- These amounts represent the closing share price of the Bank's Common Shares on the Toronto Stock Exchange on April 23, 2021 for Raymond Bachand, on October 29, 2021 for Louis Vachon, and December 31, 2021 for Manon Brouillette.
- Upon his departure, the minimum Director share ownership requirement was \$560,000.
- Manon Brouillette had a five-year grace period starting April 20, 2020, i.e., the date of her appointment as a Bank Director, to meet the share ownership requirements for Directors.
- Louis Vachon, as an executive Director of the Bank, did not receive any compensation for participating in the activities of the Board and its committees and subcommittee, and had to meet share ownership requirements specific to his position of President and Chief Executive Officer. For more information about these requirements and about Louis Vachon's compensation, including the values of his PSUs, RSUs, and options, refer to [Section 7](#) of the Circular.

4. Director compensation

OTHER INFORMATION ABOUT THE BANK

The Bank reimburses Directors for the expenses incurred to attend meetings. The Bank also reimburses Directors for disbursements and accommodation expenses incurred for business representation activities on behalf of the Bank.

Directors do not receive stock options and do not participate in any other share-based compensation mechanism or pension plan of the Bank except for Directors who are compensated for their duties as Executive Officers of the Bank. They are not entitled to any product or service at preferred rates or reduced fees due solely to their status as Director.

Restrictions on trading and hedging of Bank securities

No Director, Officer or employee shall, directly or indirectly:

- sell a security of the Bank or of any of the Bank's affiliates if they do not own such security or have not fully paid for the security to be sold (short sale);
- buy or sell a call or put option on a security of the Bank or of any of the Bank's affiliates;
- purchase financial instruments that are designed to hedge, offset, or cancel a decrease in market value of equity securities granted as compensation or held directly or indirectly by the Director, Officer, or employee.

The following table presents the total compensation paid or assigned to the Directors of the Bank serving on the Board and on the Board's committees and subcommittee for the fiscal year ended October 31, 2021.

Total compensation						
Director	Base salary (S) ⁽¹⁾	Additional compensation for serving on a committee or subcommittee (S) ⁽²⁾	Additional compensation for serving as Chair of the Board or chair of a committee or subcommittee (S)	Total (S)	Breakdown of total compensation (S) ⁽³⁾	
					Shares/DSUs ⁽⁴⁾	Cash
Raymond Bachand ⁽⁵⁾	67,247	7,205	–	74,452	37,226	37,226
Maryse Bertrand	147,500	15,000	–	162,500	162,500	–
Pierre Blouin	147,500	25,000	17,500	190,000	152,300	37,700
Pierre Boivin	147,500	–	30,000	177,500	177,500	–
Manon Brouillette ⁽⁶⁾	147,500	14,606	–	162,106	162,106	–
Yvon Charest ⁽⁷⁾	147,500	22,837	18,062	188,399	188,399	–
Patricia Curadeau-Grou ⁽⁸⁾	147,500	19,158	–	166,658	166,658	–
Laurent Ferreira ⁽⁹⁾	–	–	–	–	–	–
Jean Houde ⁽¹⁰⁾	147,500	–	225,000	372,500	100,750	271,750 ⁽¹¹⁾
Karen Kinsley	147,500	15,000	30,000	192,500	73,750	118,750
Rebecca McKillican	147,500	10,000	–	157,500	157,500	–
Robert Paré	147,500	7,837	–	155,337	155,337	–
Lino A. Saputo ⁽¹²⁾	147,500	7,205	12,008	166,713	166,713	–
Andrée Savoie	147,500	15,000	–	162,500	162,500	–
Macky Tall	80,646	–	–	80,646	80,646	–
Pierre Thabet	147,500	15,000	30,000	192,500	192,500	–
Louis Vachon ⁽¹³⁾	–	–	–	–	–	–
Total	–	–	–	2,601,811	2,136,385	465,426

4. Director compensation

- (1) For the fiscal year ended October 31, 2021, the annual base salary paid to a Board member for the period of November 1, 2020 to April 30, 2021, was set at \$140,000, of which \$70,000 was paid in Common Shares or DSUs and \$70,000 was paid on a pro-rata basis, at the Director's choice, in cash, in Common Shares, in DSUs or a combination of all three. For the period of May 1, 2021 to October 31, 2021, the annual base salary was set at \$155,000, of which \$77,500 was paid in Common Shares or in DSUs and \$77,500 was paid on a pro rata basis, at the Director's choice, in cash, in Common Shares, in DSUs or a combination of all three. The base salary includes the Director's participation in a committee or subcommittee. For more information about this topic, refer to the "Total compensation" heading in this section of the Circular.
- (2) Additional compensation paid for serving on a Board committee or subcommittee is the compensation paid for serving on a second committee or subcommittee. For more information about this topic, refer to the "Total compensation" heading in this section of the Circular.
- (3) This column represents the breakdown in cash, shares, and DSUs of the total compensation of the Directors.
- (4) For the purposes of this table, the term "share-based awards" includes the portion of Director compensation paid in Common Shares or DSUs, as the case may be. The number of shares granted is determined by dividing the amount paid by the Bank's Common Share price at the time of each quarterly grant, i.e., \$72.94 on February 18, 2021; \$92.27 on May 19, 2021; \$96.15 on August 19, 2021; and \$104.46 on November 18, 2021. The number of DSUs granted is determined by dividing the amount paid by the Bank's Common Share price at the time of each quarterly grant, i.e., \$72.67 on February 15, 2021, \$91.56 on May 15, 2021; \$96.74 on August 15, 2021; and \$105.18 on November 15, 2021.
- (5) Raymond Bachand ceased being a member of the Board, of the RMC, and of the CRCGC on April 23, 2021. His compensation has been prorated accordingly.
- (6) Manon Brouillette ceased being a member of the AC, of the HRC, and of the TSC on June 1, 2021. Her compensation has been prorated accordingly.
- (7) Yvon Charest was appointed a member and Chair of the CRCGC on April 23, 2021. His compensation has been prorated accordingly.
- (8) Patricia Curadeau-Grou was appointed to the TSC on June 1, 2021. Her compensation has been prorated accordingly.
- (9) As a Bank Officer, Laurent Ferreira receives no compensation as a Director of the Bank. For more information about Laurent Ferreira's compensation, including the value of his PSUs, RSUs, and options, refer to [Section 7](#) of the Circular.
- (10) Jean Houde elected to receive the cash portion of his compensation for Board, committee or, subcommittee activities in the form of cash while also meeting his obligation, as Chair of the Board, to receive 25% of his total compensation in the form of, at his discretion, Common Shares or DSUs.
- (11) Includes compensation as Chair of the Board.
- (12) Lino A. Saputo ceased being a member and Chair of the CRCGC on April 23, 2021. His compensation has been prorated accordingly.
- (13) As a Bank Officer, Louis Vachon did not receive any compensation as a Director of the Bank. For more information about Louis Vachon's compensation for the fiscal year ended October 31, 2021, including the value of his PSUs, RSUs, and options, refer to [Section 7](#) of the Circular.

5.

Governance practices

Governance practices are a set of structures, policies, and processes designed to:

- **protect** the Bank's interests
- **ensure** sound risk-taking
- **ensure** the integrity and ethical conduct of the Bank's Directors, Officers, and employees
- **detect** and **prevent** conflicts of interest
- **ensure** that Directors are independent and possess the relevant competencies

As a financial institution, the Bank believes that it is essential and in the best interests of its stakeholders to create a governance culture that seeks not only to ensure compliance with the best practices and applicable rules, but also to create a positive impact in people's lives, as stated in the Bank's One Mission. The Bank's commitment to excellence and transparency stems from its determination to uphold strong stakeholder relationships and to respond to society's changing needs.

Through its governance practices, the Board achieves its objective of sound corporate governance and ensures compliance with the requirements of the Canadian authorities that regulate the Bank, including OSFI, the CSA, and the Toronto Stock Exchange. The Board believes that sound governance provides a foundation for good business and benefits the Bank's stakeholders.

BOARD OF DIRECTORS

Roles and responsibilities

The Board's responsibilities are based on its duty to provide oversight and make decisions. Specifically, the Board is tasked with overseeing the management of the Bank's commercial and internal affairs, and it establishes strategic directions in conjunction with management. In turn, management ensures the day-to-day management of activities through the President and Chief Executive Officer. The Board is also responsible for advising and guiding senior management and challenging its decisions, strategies, and policies.

The Board's main responsibilities

Approve strategies, objectives, and operating plans	Promote appropriate behaviour and a business culture of integrity and ethical conduct	Ensure compliance with legislation and regulations in addition to sound governance, including application and oversight of ESG principles throughout the Bank
Ensure risks are managed effectively	Oversee the management of commercial activities and internal affairs	Plan and develop management succession
Ensure transparent and diligent reporting and disclosure of financial information	Develop a compensation approach that maximizes the Bank's competitiveness and favours goal attainment	Ensure that Officers and material risk-takers comply with ethical and share ownership requirements

The Board develops and approves its own mandate and the mandate of its Chair. It periodically reviews and evaluates the mandates to ensure that they remain compliant with applicable legislation and best practices and that they adequately reflect the duties and responsibilities of the Board and its Chair.

The Board's main achievements

This year again, the Board and its committees devoted much effort to managing the COVID-19 crisis and the recovery of activities. In response to the pandemic, the Board placed added attention to its crisis management, risk assessment and management, and strategic planning roles while staying true to the Bank's One Mission and values. In 2021, the Board paid particular attention to vaccination-related matters and to the potential return of employees to the workplace. It prioritized the health and well-being of its employees while also ensuring ongoing and safe delivery of essential services to the Bank's clients. To make informed decisions on these matters, the Board and its committees relied on survey results and frequent reports presented by management, which provided the Board with feedback and helped the members better understand employee expectations and concerns.

The Board believes that it has fulfilled its duties in accordance with its mandate. In fiscal 2021, the Board notably:

Main achievements	
Strategy and objectives	<ul style="list-style-type: none"> ✓ Had regular discussions with the President and Chief Executive Officer, with the Other Executive Officers, and with Officers about the impacts of COVID-19 and the measures taken to protect the health of employees, clients, and the Bank's other stakeholders ✓ Had regular discussions with the President and Chief Executive Officer, with the Other Executive Officers, and with Officers about strategic initiatives, in particular growth opportunities, client interest in new digital solutions, acquisition of new clients, data management, technological change, organizational transformation, and the impact of the economic and political environment ✓ Reviewed the business plan, capital strategy, operating and funding budgets, and targets to be achieved ✓ Approved an increase to the international investment budget envelope ✓ Had regular discussions with Executive Officers about the business plans for their respective business areas as well as about their achievements and objectives ✓ Participated in the Bank's strategic planning days to speak with the President and Chief Executive Officer, with the Chief Operating Officer as well as with the Other Executive Officers and Officers about the current business plan, risks and challenges facing the Bank, the approach to environmental and social matters, investor relations, organizational culture, and acquisition strategies for certain client segments
Risk management	<ul style="list-style-type: none"> ✓ Reviewed and approved the Bank's risk appetite framework, in particular the risk appetite statements, measures, and targets ✓ Reviewed the activity report of the Executive Vice-President – Information Technology, in particular matters of cybersecurity and technology risk management
Financial reporting	<ul style="list-style-type: none"> ✓ Reviewed and approved the dividend declaration proposals ✓ Reviewed and approved the interim condensed consolidated financial statements, the audited annual consolidated financial statements, the annual report, the annual information form, the press releases for dividend declarations, and supplementary financial information ✓ Approved the appointment and compensation of the independent auditor

5. Governance practices

Main achievements (continued)	
Management, performance, and compensation	<ul style="list-style-type: none"> ✓ Assessed the President and Chief Executive Officer's performance by comparing financial results against annual objectives and key performance indicators and approved the objectives for the following year ✓ Received the President and Chief Executive Officer's evaluation report on the performance of the Other Executive Officers and approved their compensation ✓ Received the reports from the RMC, AC, and HRC on the performance of the Chief Compliance Officer and the Senior Vice-President – Internal Audit, and approved their compensation ✓ Reviewed and approved an update to the duties and responsibilities of the President and Chief Executive Officer ✓ Reviewed, approved, and submitted to a vote at the Annual Meeting of Shareholders on April 23, 2021 the replenishment of the number of shares reserved for the purposes of the Stock Option Plan
Succession planning	<ul style="list-style-type: none"> ✓ Implemented a succession plan for the President and Chief Executive Officer by creating the position of Chief Operating Officer and by approving the appointment of Laurent Ferreira to this position before appointing him as President and Chief Executive Officer on November 1, 2021 ✓ Approved an update to the succession and development plans of the Bank's Executive Officers and Officers ✓ Approved an update to the succession plan of the President and Chief Executive Officer in case of emergency ✓ Received the reports on the appointment of the Senior Vice-President – Internal Audit
Environment, social, and governance	<ul style="list-style-type: none"> ✓ Reviewed and approved the Management Proxy Circular and the form of proxy for the Annual Meeting of the Holders of Common Shares of the Bank held on April 23, 2021 ✓ Reviewed and approved governance practices ✓ Had discussions with Mark Carney, UN Special Envoy on Climate Action and Finance and former Governor of the Bank of Canada about the Net-Zero Banking Alliance ✓ Reviewed and approved the target of achieving net-zero emissions by 2050

The various mandates of the Board, of the chairs, and of the committees and the subcommittee are published in the "Governance" subsection under "About Us" on the nbc.ca website. The Board's mandate is also available on the sedar.com website and incorporated by reference in this Circular.



5. Governance practices

Culture of commercial integrity and ethical conduct throughout the Bank

The Board promotes an ethical business culture and applies it throughout the Bank, specifically the duty to act with honesty and integrity, abide by the law, treat clients with respect and civility, protect the confidentiality of information, and avoid conflicts of interest.

The Board ensures that the rules of conduct and ethics are upheld, notably through application of the Code of Conduct and Ethics and any updates thereto. The Board also ensures that the Bank has implemented an appropriate, effective, and permanent process that ensures compliance with these rules (for example, an annual commitment signed by the Bank’s Directors, Officers, and employees to comply with the Code of Conduct and Ethics). It ensures, in accordance with the existing continuous disclosure obligations, that any material breach of the code by a Director or Executive Officer is disclosed. Acting through the Conduct Review and Corporate Governance Committee, the Board also reviews the findings of an annual report on the application of the code.

In addition, the Bank has a Client Complaint Appeal Office, an Ethics Ombudsman, and an Employee Ombudsman. The Client Complaint Appeal Office investigates, as a last resort, complaints from clients regarding the Bank’s products and services. The Ethics Ombudsman receives, processes, and retains complaints and concerns regarding the Bank’s accounting, internal accounting controls, and auditing matters. The Employee Ombudsman facilitates the resolution of disputes that employees may have in the course of their work and handles reports made by employees anonymously, when required. In all three scenarios, the ombudsmen deal impartially and independently with the complaints they receive, ensuring fair and equitable treatment.

More information about these responsibilities can be found in the “Complaint Settlement” subsection under “About Us” on the nbc.ca website. More information about the Employee Ombudsman is also available on the nbc.ca website under “Contact Us” – “Other Resources” – “Services to Employees and Retirees”.

Lastly, the Board ensures that the Code of Conduct and Ethics is filed with the CSA and is available on the nbc.ca website.



5. Governance practices

Committees, oversight functions, and external consultants supporting the Board

To fulfill its mandate, the Board is supported by four committees: the Audit Committee, the Conduct Review and Corporate Governance Committee, the Risk Management Committee, and the Human Resources Committee. It is also supported by one subcommittee: the Technology Subcommittee. The Board also relies on recommendations made by four oversight functions (Internal Audit, Risk Management, Compliance, and Finance).

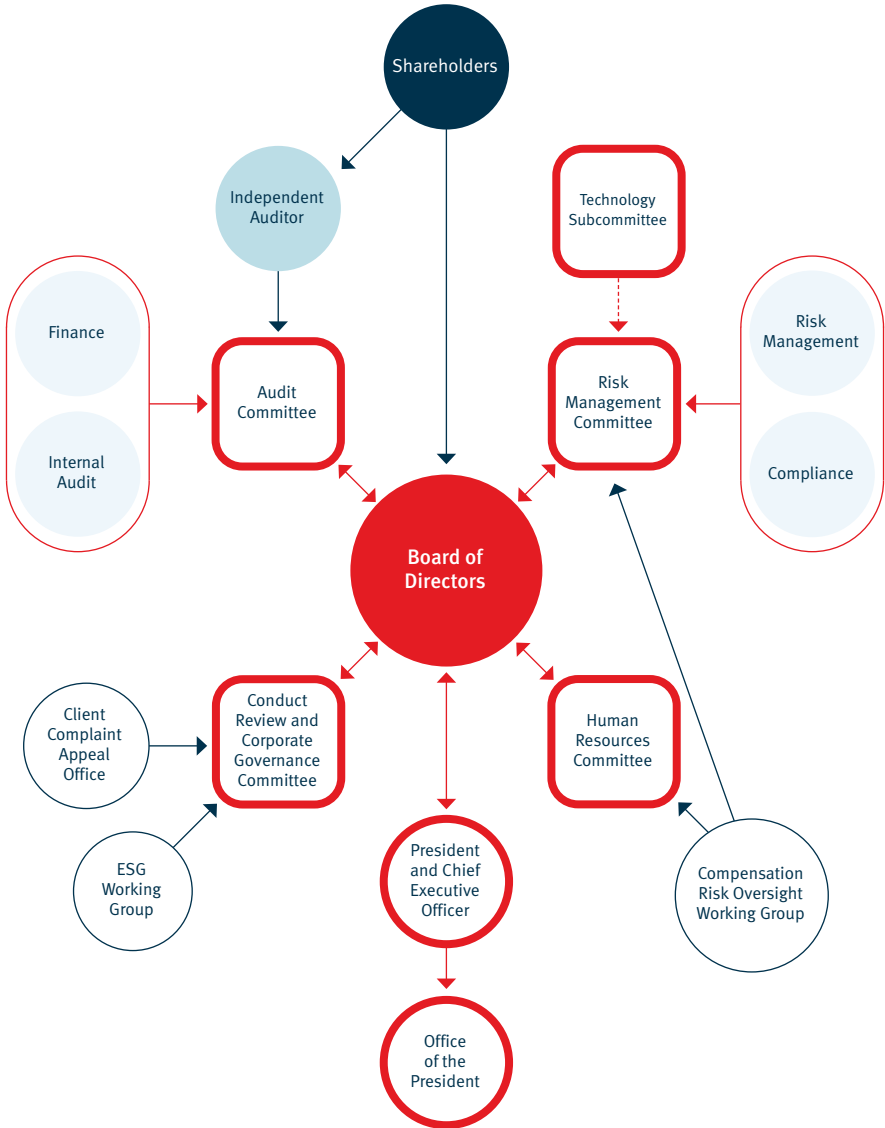
Oversight functions	
<p>Internal Audit</p> <p>The Internal Audit oversight function is the third line of defence in the risk management framework. It is responsible for providing the Bank's Board and management with objective, independent assurance as well as advice on the effectiveness of the main governance, risk management, and internal control processes and systems. It is also responsible for making recommendations that promote the Bank's long-term strength.</p>	<p>Finance</p> <p>The Finance oversight function is responsible for optimizing management of financial resources and ensuring sound governance of financial information. It helps the business segments and support functions with their financial performance, ensures compliance with regulatory requirements, and carries out the Bank's reporting to Shareholders and the external reporting of the various units, entities, and subsidiaries of the Bank. It is also responsible for capital management and actively participates in the activities of the Asset/Liability Management Committee.</p>
<p>Risk Management</p> <p>The Risk Management oversight function is responsible for identifying, assessing, and monitoring—independently and using an integrated approach—the various risks to which the Bank and its subsidiaries are exposed and for promoting a risk management culture within the Bank. The Risk Management team helps the Board and management understand and monitor the main risks. The unit also develops, maintains, and communicates the risk appetite framework while overseeing the integrity and reliability of risk measures.</p>	<p>Compliance</p> <p>The Compliance oversight function is responsible for implementing a Bank-wide regulatory compliance risk management framework by relying on an organizational structure that includes functional links to the main business segments. It also exercises independent oversight and evaluation of the compliance of the Bank and its subsidiaries with standards and policies on regulatory compliance risk.</p>

Lastly, the Board and its committees and subcommittee may hire legal counsel or other independent external consultants. They can define the related mandates and set the compensation, which is paid by the Bank. Before hiring such consultants, the Board, committee or subcommittee concerned assesses the nature of any other mandates that were previously awarded by the Bank to make sure that the independence of consultants is not impaired.

In exceptional circumstances, the Chair of the Board or the chair of a committee or subcommittee may make his or her own assessment of the independence of the consultants, define their mandates, and hire them, which is ratified following an assessment of the consultants' independence made by the Board or the committee or subcommittee concerned. When the Board or a committee or subcommittee retains the services of such consultants for an indefinite period, it must annually approve the list of mandates that the Bank intends on awarding to the consultants to ensure that those mandates do not impair their independence.

5. Governance practices

The following diagram shows the interactions between the committees, the oversight functions, and the Board.



The Board’s Corporate Governance Practices report is available in the “Governance” subsection under “About Us” on the nbc.ca website.



CHAIR OF THE BOARD

The Chair of the Board is independent within the meaning defined by the CSA. He leads the Board and its activities in the best interests of stakeholders, Shareholders, and clients. He does not have a deciding vote in the event of equality among Board member votes.

The Chair of the Board promotes the highest standards of integrity and ethical conduct within the Board as well as rigorous corporate governance standards, and he ensures that the Bank complies with applicable regulatory requirements.

Furthermore, he:

- ensures that the Board effectively and independently carries out its duties and assumes its responsibilities, and assigns tasks to Board members;
- ensures that the Board’s committees and subcommittee discharge the responsibilities vested in them by the Board and report back with the results of their work;
- ensures that the Board has the necessary resources and information to fulfill its mandate and responsibilities;
- ensures that the independent Directors meet at the end of each Board meeting, without the Bank’s management being present, and chairs these proceedings *in camera*; and
- assists the Conduct Review and Corporate Governance Committee in overseeing the process of evaluating Board, committee, subcommittee, and Director performance.

COMMITTEES AND SUBCOMMITTEES CREATED BY THE BOARD

The Board delegates some of its powers to its committees and subcommittee, which it created in accordance with relevant legislative requirements and in response to its needs. It appoints committee members and chairs among its Directors, who must meet all legislative eligibility criteria as well as independence standards.

Based on the recommendations of the Conduct Review and Corporate Governance Committee, the Board approves the mandates of its committees and subcommittee as well as the mandates of the committee chairs.

The committees:

- meet without the presence of the Bank’s management, who are invited to attend committee meetings from time to time;
- report regularly to the Board about their activities; and
- regularly review their respective mandates and recommend them for Board approval to ensure that these mandates adequately reflect how the committee functions and reflect its activities and responsibilities as well as those of its chair, all while complying with current legislation.

For more information about the Board’s standing committees and the standing subcommittee, refer to Section 6 of the Circular or to the “Governance” subsection under “About Us” on the nbc.ca website.



SELECTION OF DIRECTOR NOMINEES, ELECTIONS, AND OVERSIGHT

Board composition

The Board, together with the Conduct Review and Corporate Governance Committee, periodically reviews its size and composition to verify its effectiveness, doing so within the limits set out in relevant legislation and in the Bank's by-laws.

Competencies and selection criteria

The Board is composed of Directors who possess extensive complementary knowledge and competencies as well as the expertise needed to make active, informed, and positive contributions to the management of the Bank, the conduct of its business, and its strategic direction.

The Board's expectations of its members, both from an individual standpoint and their contribution to the Board, are set out in the expectations of Directors prepared by the Conduct Review and Corporate Governance Committee and approved by the Board.

When nominating a new Director for election or an existing Director for re-election, the sought-after aptitudes are determined by the Conduct Review and Corporate Governance Committee and approved by the Board. For the group of Directors as a whole, a complementary mix of knowledge and expertise is prescribed to ensure that the Board can effectively fulfill its role in all areas. The Board believes that it possesses a sufficient number of Director nominees and that, as a whole, they possess the knowledge, competencies, expertise, and diversity required for making informed decisions, creating committees and subcommittees, and planning succession. The sought-after aptitudes for Directors are as follows:

Dedication and integrity	Commitment, rigour, and participation	Contribution to the Bank's values and business acumen
<ul style="list-style-type: none"> ✓ Oversee the Bank's interests ✓ Strive to continue improving ✓ Act as ambassadors of the Bank in their sphere of business activity and the community in general ✓ Understand their roles and responsibilities as well as the related expectations and obligations ✓ Contribute, in a constructive fashion, the full breadth of their competencies, experience, and influence ✓ Fulfill their responsibilities with integrity, honesty, and candour ✓ Comply with the Bank's Code of Conduct and Ethics ✓ Ensure they meet the eligibility criteria set out in the Act, any other legislation, and the Bank's own by-laws ✓ Avoid placing themselves in situations of conflict of interest ✓ Treat as confidential all information to which they have access ✓ Adhere to the standards of independence from Bank management 	<ul style="list-style-type: none"> ✓ Devote the time and energy needed to properly fulfill their obligations ✓ Prepare adequately for meetings ✓ Attend at least 75% of the meetings to which they are called ✓ Keep their financial competencies up to date ✓ Satisfy the share ownership requirements and demonstrate transparency when trading shares ✓ Stay abreast of the Bank's business activities and of any matters or trends that could have an impact on its activities ✓ Participate in the Bank's Continuing Education Program ✓ Assume responsibility for the decisions made by the Board 	<ul style="list-style-type: none"> ✓ Challenge the status quo, encourage change, and seek out solutions ✓ Contribute to responsible Bank-wide risk management ✓ Demonstrate leadership, show initiative, and be proactive and courageous ✓ Manage conflict constructively and work in collaboration with the other Directors ✓ Have an entrepreneurial spirit and be interested in innovation ✓ Understand the vision, strategic direction, objectives, and risks linked to the Bank's activities ✓ Demonstrate clear and sound judgment so they can assess opportunities for the Bank ✓ Have sound business judgment ✓ Be capable of thinking critically about the Bank's growth strategies ✓ Lead by example and contribute to the corporate culture ✓ Be open to the viewpoints and concerns of the Bank's stakeholders

For more information about the Director nominees, refer to the Summary and Section 3 of the Circular.



Director independence

The Conduct Review and Corporate Governance Committee regularly assesses the independence of Board members in accordance with CSA criteria using, among other sources, information provided semi-annually by the Directors or information otherwise brought to its attention. The Board then reviews the independent assessment produced by the Conduct Review and Corporate Governance Committee.

The Board, either directly or through one of its committees, implements structures and procedures to ensure that the Board is operating independently of the Bank's management.

- ✓ Other than the President and Chief Executive Officer of the Bank, all committee, subcommittee, and Board members are independent within the meaning defined by the CSA.
- ✓ The Bank's role of Chair of the Board and role of President and Chief Executive Officer are distinct.
- ✓ The Directors comply with the Affiliated Persons (Banks) Regulations (Canada).
- ✓ During fiscal 2021, the independent Directors met *in camera*, in the absence of the Bank's management, at each Board meeting and Board committee or subcommittee meeting, as set out in the agenda of each meeting.

Integrity of Directors

The Bank's Directors act with integrity and exercise independent judgment in fulfilling their roles and responsibilities. Directors are bound by the provisions of the Bank's Code of Conduct and Ethics and by other rules of conduct and ethics applicable to Directors, Officers, and employees of the Bank. Each year, these parties commit, in writing, to comply with the Code of Conduct and Ethics.

The Conduct Review and Corporate Governance Committee conducts a background and reference check on all Director nominees. It does so before they are elected and at least every five years thereafter. On an annual basis, Directors confirm, in writing, that they do not have a criminal record.

Also on an annual basis, Directors agree, in writing, to comply with the Bank's conflict-of-interest standards. They must avoid all real, potential, or apparent conflicts of interest with the Bank.

Any Director who is party to a contract with the Bank or has an interest in a material transaction with the Bank must, as soon as possible and in accordance with applicable legislation, disclose the nature and scope of this interest to the Chair of the Board or to the Chair of the Conduct Review and Corporate Governance Committee. He or she must leave the meeting during the review of the contract or transaction and refrain from voting on the matter, barring exceptions provided for by applicable legislation.

To ensure full disclosure, the Corporate Secretary regularly receives confirmation from the Directors as to whether any conflicts of interest exist or not.

Availability of Directors

The Board expects Directors to attend the meetings to which they are called and to remain present throughout. Directors are required to attend at least 75% of all the meetings to which they are called, unless the Conduct Review and Corporate Governance Committee deems that factors beyond their control prevented them from doing so. In such cases, the Board may re-evaluate the concerned Director's ability to act effectively as a Bank Director.

During fiscal 2021, the average attendance rate of Director nominees at Board meetings was at 99%, while the average attendance rate at committee meetings was 98%, and every Director nominee attended at least 93% of the meetings to which they were called.

Attendance rate of Directors who served on the Board during fiscal 2021, but are not Director nominees:

Director	Date on which Board membership ceased	Attendance at the meetings to which the Director was called during the fiscal year
Raymond Bachand	April 23, 2021	100% of Board meetings 100% of CRCGC meetings 100% of RMC meetings
Manon Brouillette	January 1, 2022	88% of Board meetings 100% of AC meetings 100% of HRC meetings 100% of TSC meetings
Louis Vachon	October 31, 2021	100% of Board meetings

For more information about the attendance rate of Director nominees at Board and committee meetings during fiscal 2021, refer to Section 3 of the Circular.



5. Governance practices

Outside directorships

Directors must inform the Chair of the Conduct Review and Corporate Governance Committee or the Chair of the Board before accepting any invitation to serve on a board of directors other than the Bank's Board. Together with the Chair of the Board, the Chair of the Conduct Review and Corporate Governance Committee assesses whether the Director would be involved in a real, potential, or apparent conflict of interest and whether the Director would be able to continue fulfilling his or her responsibilities as a Director of the Bank.

None of the Director nominees serve on more than two boards of directors of public corporations in addition to the Bank's Board.

The President and Chief Executive Officer does not serve on the board of directors of any other public corporation.

The Board believes that the fact that a Bank Director serves on the board of directors of another public corporation does not necessarily interfere with his or her ability to exercise independent judgment and act in the best interests of the Bank. The Board does not limit the number of boards on which its Directors may serve, but it regularly reviews such information to verify each Director's ability to properly fulfill his or her role as a Bank Director. Members of the Audit Committee must not serve on the audit committees of more than three public corporations, including that of the Bank, unless they have obtained prior approval from the Board.

The Bank maintains a list of all the directorships of its Directors and Director nominees. It discloses, in [Section 3](#) of the Circular, the names of the public corporations on whose boards the Director nominees currently serve or have served in the past five years.

The following table shows the names of the public corporations that have more than one of the Bank's Director nominees serving on their board of directors:

Public corporation	Director	Public corporation committee(s) of which the Director nominee is a member or position(s) held by the Director
Saputo Inc.	Karen Kinsley	Member of the Audit Committee
	Lino A. Saputo	Chair of the Board of Directors
Metro Inc.	Maryse Bertrand	Chair of the Governance and Corporate Responsibility Committee Member of the Human Resources Committee
	Pierre Boivin	Chair of the Board of Directors

The Board has determined that the above-identified relationships do not impair the ability of these Directors to exercise independent judgment.

Change of status

Directors must notify, as promptly as possible, the Chair of the Board or the Chair of the Conduct Review and Corporate Governance Committee of any change in their professional or personal circumstances that may impact their role as a Director or of any conflict of interest. The Chair of the Board or the Chair of the Conduct Review and Corporate Governance Committee then reports to the Board and presents appropriate recommendations.

DIVERSITY

On the Board

Inclusion and diversity are core values of the Bank, and the composition of the Board is no exception. The Bank believes that it is important to have a Board that reflects the diversity of its stakeholders, and it is committed to diversity at all levels of its organization. Its Director recruitment process reflects this value, as it encourages candidate selections that will contribute to the Bank's success. The goal is to have the Board composed of people from different backgrounds and diversified in terms of gender and non-gender in order to benefit from a diverse range of experiences and perspectives.

The Board has made a commitment, in the Board Diversity Policy, to strive towards gender parity among Directors and to have women account for at least one-third of Board Directors. As such, half of the candidates selected to fill vacant Director positions must be women. This policy also stipulates, as a guiding principle, that the candidate pool has characteristics that represent the communities in which the Bank is present and conducts business. These characteristics include gender, age, designated groups⁽¹⁾, sexual orientation, ethnocultural groups, and geography.

It is within such a context that the Bank supports the Catalyst Accord, an agreement that unites many large companies around a goal of increasing the number of women serving on boards of directors in Canada.

To reach its diversity goals, the Board is relying on the tools and processes implemented by the Conduct Review and Corporate Governance Committee as part of the Board succession planning process. This committee:

- ✓ maintains a list of potential Director candidates who satisfy the Board's pre-established selection criteria as well as the principles set out in the Board Diversity Policy, including the target for the representation of women on the Board and ensuring the candidate pool contains people who are representative of the characteristics of the communities in which the Bank operates and conducts business;
- ✓ may use the services of external consultants to assist in identifying candidates who would satisfy the above-stated principles as required. Based on the recommendations of external recruitment consultants, the Conduct Review and Corporate Governance Committee expanded its list of potential Director candidates during fiscal 2021 to better reflect non-gender diversity criteria. It draws from this list of potential candidates when a Director position becomes vacant; and
- ✓ encourages Directors to provide feedback on the composition of the Board, as part of the annual self-assessments of Directors, chairs, and the Board, and its committees and subcommittee.

If all Director nominees are elected at the Meeting, the Board will have six women and one person who has self-identified as a visible minority.

(1) Within the meaning in the Employment Equity Act, S.C. 1995, c. 44.

The following statistics reveal the results of the Board's constant commitment and the strategies it has deployed over the years.

At the date of this Circular:

- 36% of the Board's members were women (i.e., 5/14), which exceeds the Board's commitment to have women account for at least one-third of its Directors.
- Half of the candidates selected to fill vacant Director positions are women.
- The representation of women on committees is as follows:

Board	AC	RMC	CRCGC	HRC	TSC
5/14 (36%)	3/5 (60%)	2/6 (33%)	2/5 (40%)	2/6 (33%)	2/3 (67%)

For more information about the Board Diversity Policy, refer to the “Governance” subsection under “About Us” on the nbc.ca website.

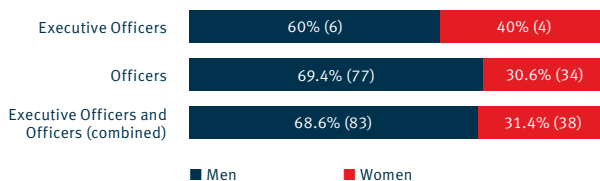


Senior management and management ⁽¹⁾

Providing an inclusive and diverse environment, where individuals can develop with confidence, is essential to helping everyone reach their full potential. To cultivate such an environment, the Bank is constantly deploying a variety of initiatives that foster inclusion and promote the development of its different groups of employees.

When appointing candidates to Executive Officer positions, the Bank considers the representation level of women and diversity. The Bank has not set a specific target for these positions, as there are too few Executive Officers for a realistic target to be set. However, the succession plan is monitored to ensure the fair representation of women among this group. Furthermore, on a quarterly basis, Employee Experience dashboards are used to inform the Office of the President and the Human Resources Committee about the progress being made in such representation.

The following table shows the representation level of women holding Executive Officer and Officer positions at the Bank in Canada:



(1) As at December 31, 2021.

5. Governance practices

In line with the 2020-2023 three-year plan, the overall target for the representation of women among the Bank's Officers and Executive Officers has been set at 36%. The target, which exceeds market availability⁽¹⁾, was established following a rigorous review of our corporate commitments, and it supports the Bank's culture and talent priorities, namely:

- to create an open and inclusive environment where Bank employees feel recognized and are realizing their full potential, regardless of their diversity;
- to build teams that are diverse and representative of society and the communities where the Bank operates, and to gain access to the best talent; and
- to reinforce our positioning as an employer of choice that focuses on people, and to be recognized for our social commitment and sound governance.

The Bank also has targets for non-gender-related diversity. In its Inclusion and Diversity Booklet, the Bank sets out representation targets, both overall and at the senior management level, for women and other minority groups.

The Inclusion and Diversity Booklet is available in the "Diversity" subsection of the "Engagement" section of the [nbc.ca](https://www.nbc.ca) website.

While the Bank does not favour imposing a minimum number of hires as part of its approach to achieving representation of minority groups, it ensures that its human resources practices are constantly considering the diversity of the population and of its employees.

Strategy and three areas of focus

The Bank's strategy is based on the shared experience of its employees and on industry best practices. It relies on dialogue and on building awareness to evolve mindsets and create openness while strengthening the commitment and accountability of managers. The Bank is continuing to take action and is developing numerous initiatives to amplify its impact on unconscious biases by creating the conditions needed to effectively support the development and progress of every Bank employee. This includes workshops that are offered to all employees.

The Bank has established three areas of focus that frame the various initiatives across the organization to foster the inclusion and development of different employee groups: women, visible minorities, persons with disabilities, Indigenous peoples, and members of the LGBTQ+ community:

1. Dialogue
2. Engage
3. Act each day

All the initiatives and achievements associated with these three areas of focus and put forward by the Bank can be found in the Inclusion and Diversity Booklet.

(1) Market availability (27.6%) is based on the Canadian census data of 2016, calculated according to the Employment Equity Regulations (Canada).

Talent management and planning of Officer succession

The Bank's vision of leadership is constantly evolving, which has helped it navigate the challenges posed by globalization and by various economic and external events, including the global pandemic. Such agility is critical to achieving the Bank's One Mission and business strategies. Based on analytic data collected during the year and drawing on the experience of the Bank's leaders, we are continually adjusting our approach to meet needs in a targeted and timely manner. In addition, personalized coaching and/or mentoring is helping to develop inspiring, effective, and committed management teams.

The annual Executive Officer succession planning process is an important milestone in the mandate of the Human Resources Committee. The related work helps to identify future Executive Officers, to support the development of management teams, and to manage workforce risk. During the year, the Human Resources Committee reviewed the succession plans of the new President and Chief Executive Officer, of the Executive Officers, and of the heads of the oversight and control functions. It actively participated in reviews, analyses, discussions, and strategic thinking on executive successors, and it examined the development plans of key talent. Using a succession-planning analytic model, the Bank is able to refine its analysis of workforce risks and mitigate them. Lastly, the Human Resources Committee also examines a variety of Employee Experience strategies, including those related to the war for talent, inclusion and diversity, the advancement of women into management and Officer positions, and the health and well-being of all Bank employees.

In recent years, the Bank's succession planning work has devoted considerable attention to the succession of the President and Chief Executive Officer role. The Human Resources Committee makes recommendations to the Board regarding appointments to the positions of Chief Executive Officer and Other Executive Officers, and it also takes part in appointments of heads of the oversight functions. In 2020, a special committee was created to oversee, with the assistance of an external evaluation firm, the selection of and the transition to, the position of President and Chief Executive Officer. Candidates had to possess a variety of attributes, ranging from an excellent understanding of the realities and needs of the Bank's clients, knowledge of capital markets, and an advanced understanding of the technological and digital environment. The next leader needed to be a credible, innovative visionary with a track record of building positive relationships and experiences for the Bank's clients, its employees, the community, and other stakeholders, while being someone who exhibits authenticity and humility. Following a rigorous selection process, Laurent Ferreira was appointed to the position of Chief Operating Officer on February 1, 2021, and then became President and Chief Executive Officer on November 1, 2021. The Board is confident that Laurent Ferreira will continue to lead the Bank to success.

5. Governance practices

Identifying, evaluating, and nominating Directors

The Board oversees the Director succession planning process implemented by the Conduct Review and Corporate Governance Committee. This committee is tasked with selecting candidates for vacant positions and for determining whether it is appropriate to re-elect each current Director.

To do so, the Conduct Review and Corporate Governance Committee:

Identifies

1. Sets, and periodically reviews, the criteria used to select Directors to ensure that the composition of the Board is compliant with legislative and regulatory requirements, with the description of expectations of Directors, with the Board Diversity Policy, and with the Board's current and future needs.
2. Compiles and annually reviews an evergreen list of potential Director candidates who meet the Board's selection criteria. The committee invites suggestions from other Directors, Executive Officers, Officers, and Shareholders. If deemed appropriate, the committee may also hire an external recruitment consultant.

Evaluates

3. Evaluates, before recommending a new Director candidate to the Board, the candidate's experience, aptitudes, knowledge, and competencies relative to the items in point 1 above as well as the extent to which the candidate's background complements those of the other Directors.
4. Organizes one or more meetings between the candidate and certain Board members to obtain all the relevant information required to evaluate the candidate.
5. Examines each candidate's integrity and suitability by obtaining references, checking academic backgrounds, conducting security checks, and assessing any potential conflicts or independence issues.
6. Regularly examines potential candidates even when the Board does not have an immediate vacancy.

Nominates and re-elects

7. Submits, upon completion of the process, its recommendations to the Board, which examines the candidacy and approves the selection of any new candidate.
8. Annually assesses the eligibility and availability of Directors nominated for re-election.
9. Gives particular consideration to the past performance assessments of Directors, their attendance at meetings of the Board and at meetings of the committees on which they serve, their independence, their competencies, and their length of service.
10. Submits its recommendations to the Board after it has completed the assessment process.

5. Governance practices

Director nomination by Shareholders

Proposal under the Act	In accordance with the Act, Shareholders holding at least 5% of the Bank's outstanding Common Shares for the minimum period of time set out in the Act may also submit a formal proposal to have candidates nominated for election as Directors.
Proposal pursuant to the Proxy Access Policy	<p>To promote the ability of Shareholders to influence the submission of Director candidates for Board election, the Board has developed a Proxy Access Policy. This policy specifies how eligible Shareholders (as defined in the policy) may submit candidates for election to the Board and have them included in the Bank's Management Proxy Circular and proxy form.</p> <p>Shareholders who wish to submit candidates under the Proxy Access Policy are encouraged to read the full text of the policy, which is available in the "Governance" subsection under "About Us" on the nbc.ca website.</p>
Other proposals	Shareholders who do not meet the minimum criteria for making an official proposal, or who choose not to do so, may nevertheless recommend candidates for election to the Board at any time. The names of these candidates and the supporting information must be submitted to the attention of the Corporate Secretary of the Bank at 600 De La Gauchetière Street West, 4th floor, Montreal, Quebec, Canada H3B 4L2.

Director tenure and Board vacancies

Director tenure is governed as follows:

- **Maximum number of terms:** A Director may not seek re-election beyond the 12th annual meeting following his or her first election. On the recommendation of the Conduct Review and Corporate Governance Committee, however, the Board may decide, given exceptional circumstances, that it is in the Bank's best interest that a Director who has reached this limit be eligible to stand for re-election for an additional one-year term to a maximum of three additional terms. Such exceptional circumstances have never occurred since these guidelines were adopted.
- **Age limit:** There is no age limit.
- **President and Chief Executive Officer:** In accordance with the Act, the Bank's President and Chief Executive Officer must serve on the Board as long as he holds that position.

However, the Board has adopted a guideline under which a Director must tender his or her resignation to the Chair of the Conduct Review and Corporate Governance Committee, if the Director:

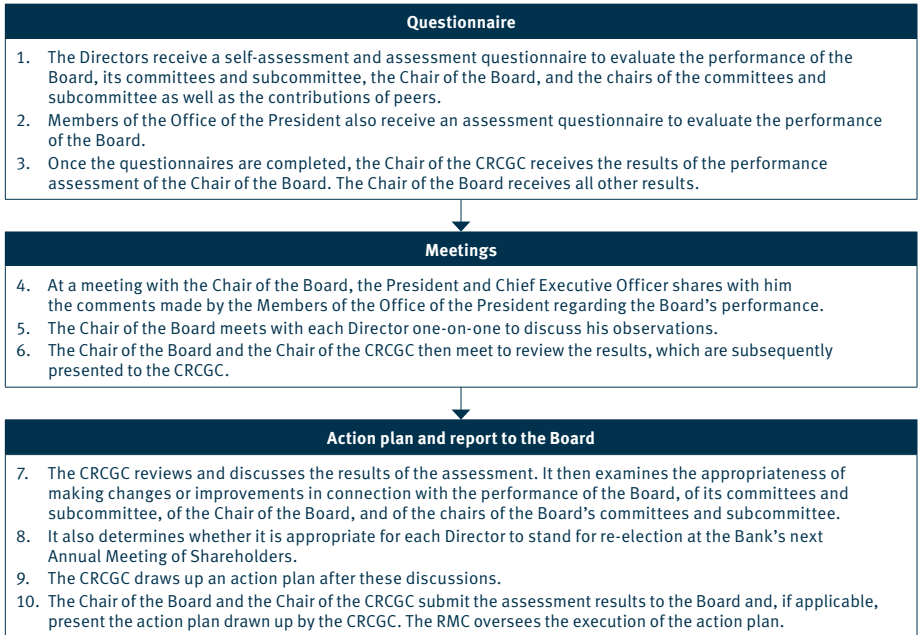
- has acted in breach of the behaviour described in the Bank's policies;
- behaves or has behaved in a manner that could, directly or indirectly, have a material adverse effect on the Bank's interests, image, or reputation;
- has had a significant change in status that may affect his or her ability to contribute to the Board, including but not limited to, no longer satisfying the regulatory requirements for serving as a Director.

The Conduct Review and Corporate Governance Committee makes a recommendation to the Board on whether to accept a resignation. The Director does not participate in any meeting of the Board of Directors or any meeting of its committees or subcommittee until the Board has rendered a decision on his or her resignation.

5. Governance practices

Performance assessment

The Board regularly assesses its own performance and effectiveness. The Conduct Review and Corporate Governance Committee is responsible for creating and overseeing a process whereby each Director can assess the effectiveness and contribution of the Board and its Chair and of the Board committees and subcommittee and their respective chairs, his or her own contributions as a Board member and as a member of one or more committees and/or subcommittee, and the contributions of their peers. Provided below are the steps involved in these performance assessments:



The 2021 performance assessment concluded that the Board and its committees operate effectively and that their members, the Chair of the Board, and the chairs of the committees and subcommittee have the necessary knowledge and devote the required time to fulfill their duties. The assessment process was carried out in accordance with the respective mandates of the Board and the Conduct Review and Corporate Governance Committee.

In its efforts to continuously improve, the Board's annual assessment process identifies improvements that can be made to ensure that the Board remains a high-performance and effective group. For 2020-2021, tangible improvements were made as a result of an action plan. These improvements notably included an optimization of oral and written presentations submitted to the Board, greater visibility for the Bank's projects (such as the digital transformation), and cross functional coverage by the Board and its committees of issues related to COVID-19 and the recovery.

Orientation and continuing education for Directors

Directors must develop their knowledge and understanding of the Bank's operations and regulatory framework on an ongoing basis. To support them, the Bank offers an orientation program as well as a Continuing Education Program that takes into account the expertise and various needs of the Directors.

An orientation program for new Directors

The Board created an orientation program for new Directors following recommendations made by the Conduct Review and Corporate Governance Committee. The program provides new Directors with an overview of the Bank to help them better understand its inner operations, activities, and key challenges. The program undergoes regular review to ensure that it stays aligned with best market practices.

Specifically, new Directors receive training and attend mentoring sessions on the role of the Board and its committees and on the role of Directors.

To further deepen their knowledge and understanding of the issues facing the Bank, new Directors are also invited to attend a meeting of each Board committee and subcommittee on which they are not a member and to participate in additional information meetings with Executive Officers as well as with the Chief Compliance Officer and Chief Anti-Money Laundering Officer; the Chief Information Security Officer; the Senior Vice-President, Internal Audit; the Senior Vice-President, Investor Relations; the Vice-President, Integrated Risk Management; and the Vice-President, Communications and Corporate Social Responsibility.

Directors' handbook

At all times, Directors have access to a series of reference documents outlining their duties and the scope of their responsibilities.

Continuing Education Program for Directors

During Board or committee meetings, Directors regularly attend presentations and in-depth sessions ("deep dives") given by Bank representatives (or occasionally by external consultants) to further enhance their knowledge of areas related to their duties. At least 10% of the time designated annually for regular meetings of the Board is devoted to continuing education. During the fiscal year, Directors attend presentations given by the heads of each business segment about their strategic issues and business plans. Directors visit branches, subsidiaries, business centres, or operations centres.

Furthermore, the Bank encourages Directors to participate in professional development programs offered by various organizations. Board members are free to participate in the activities of their choice. The Chair of the Board or the Chair of the Conduct Review and Corporate Governance Committee may authorize the reimbursement of expenses incurred for such programs.

To help Directors stay current with recent developments in the areas of audit, risk management, human resources, governance, and technology, they always have access to documentation submitted to the Board's committees and subcommittee on which they are not members. In addition, from time to time, the Corporate Secretary provides them with various articles and publications relevant to the performance of their duties.

5. Governance practices

The following table lists the training sessions provided by the Bank as well as those offered by recognized organizations (in particular, training programs given by their professional associations) that several Directors attended and that are relevant to their directorship role.

Training provided by the Bank	Date	Participants
Measuring greenhouse gases in the Bank's portfolio	October 2021	RMC and AC
Level of allowances for credit losses (ACL) and potential trajectories	October 2021	RMC and AC
Derivative financial instruments	October 2021	RMC and AC
Open banking	October 2021	TSC
Meeting with Stephen Poloz, former Governor of the Bank of Canada	October 2021	Board
2022 talent strategy	October 2021	HRC
Subsidiary governance	February and October 2021	RMC
Exchange-traded funds	October 2021	RMC
Economic update	February and October 2021	Board
Data strategy	August 2021	TSC
Meeting with Mark Carney, UN Special Envoy on Climate Action and Finance and former Governor of the Bank of Canada	August 2021	Board
Strategic positioning on the advisory vote on the climate action plans	August 2021	CRCGC
Inclusion and diversity action plan	August 2021	HRC
Accounting, financial, regulatory, and ESG developments in Canada and internationally	August 2021	AC
Synergy Experience Program	May 2021	HRC
Spotlight on Internal Audit's culture assessment	May 2021	AC
Review of trends and impacts of emerging and disruptive technologies	February 2021	TSC

Training provided by recognized organizations	
<ul style="list-style-type: none"> • Sustainable finance and investment • Financial resilience in the banking industry • Fundamental changes in capital markets • Post pandemic "new normal" • Millennials and their consumer habits • Succession planning for Board directors and chairs 	<ul style="list-style-type: none"> • Environmental, social, and governance responsibility • Digital marketing and technology • Workplace bullying • New era for boards of directors • The needs of boards of directors in businesses • Economic outlook

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) RESPONSIBILITY

As a key player in the Canadian financial industry, the Bank is committed to understanding and continuously reducing the impact of its operations on the environment and to contributing to the well-being of the communities in which it operates. It therefore implements practices that support sustainable development, inclusion and diversity, and sound governance results desired by the Bank and its various stakeholders. These practices are shaped by the Bank's ESG strategy, which has been designed around the ESG principles adopted by the Board and that can be consulted in the [2021 Annual Report](#). Furthermore, the ESG strategy is supported by a structured and robust governance framework, as described below.

Role of the Board and its committees

The Conduct Review and Corporate Governance Committee is responsible for the ESG strategy. The Board and all its committees have ESG responsibilities based on their respective roles and responsibilities and the expertise of their members. For more information, refer to the "Governance" section of the [ESG Report](#).

Role of the ESG Working Group

The main role of the ESG Working Group is to develop and support ESG initiatives and strategies by:

- implementing the TCFD recommendations;
- implementing the UN Principles for Responsible Banking; and
- meeting the Bank's climate change commitments, including the target of reaching net-zero by 2050.

The Working Group is led by the Chief Financial Officer and Executive Vice President – Finance. It reports on its progress and on its current and future ESG projects to the Conduct Review and Corporate Governance Committee. In addition, timely presentations are made to the Audit Committee and to the Risk Management Committee on special topics, such as the TCFD Report.

Other governance structures have been created to appropriately address particular ESG issues.

Governance for the protection of personal information

Strong governance addressing the protection of personal information has been implemented by the Risk Management Committee and its Technology Subcommittee. These committees ensure that the deployment of the technology risk strategy, and oversight and management thereof, is adequately carried out to protect personal information.

Internal committees, notably the Data Council, support these efforts. The Data Council has been mandated to set the Bank's strategic policies with respect to data management, including personal information.

The Privacy Office periodically reports to the various committees on matters such as privacy risk, compliance with legislation, the progress of strategic initiatives, and emerging trends.

For more information, refer to the Privacy Booklet available in the "Social Responsibility Report" subsection under "Engagement" on the [nbc.ca](#) website.



5. Governance practices

Inclusion and diversity governance

The Bank has created a structure that provides rigorous, continuous governance of the Bank’s inclusion and diversity practices. In addition, an Inclusion and Diversity Council has been mandated to provide regular monitoring and communications within each segment, with the Office of the President, and with the Human Resources Committee.

For more information, refer to the [Inclusion and Diversity Booklet](#) available in the “Diversity” subsection under “Engagement” of the [nbc.ca](#) website.

**Environmental**

The Board and its committees pay close attention to climate change, in particular by evaluating environmental risks, reviewing ESG practices, and staying apprised of relevant developments on the matter.

For more information about the initiatives implemented by the Bank, refer to the [2021 Annual Report](#), the [ESG Report](#), and the [TCFD Report](#).

**Social**

The Bank creates a positive impact and contributes to the well-being of the communities in which it operates, in particular through a well-defined donation and sponsorship program, through successful fundraising efforts, and through devoted teams of current and retired employee volunteers. For more information, refer to the [Corporate Social Responsibility Statement](#), the [Inclusion and Diversity Booklet](#), and the [ESG Report](#).

The Board, supported by its committees, ensures that the Bank is committed to the community, stimulates economic development, and promotes inclusion and diversity.

**Governance**

By ensuring a highly ethical culture, rigorous risk management, and sound Board and committee governance practices, the Bank creates value for its Shareholders as well as for its clients, employees, and the communities it serves. For more information about the Bank’s governance practices, refer to the [Statement of Corporate Governance Practices](#) and the [Privacy Booklet](#).

For more information on our ESG advances, refer to the “Social Responsibility Report” subsection under “Engagement” on the [nbc.ca](#) website.



SUBSIDIARY GOVERNANCE

Subsidiary governance is an important aspect of the Bank’s risk management. To ensure responsible oversight, the Board and its committees, in particular the Conduct Review and Corporate Governance Committee and the Risk Management Committee, which are responsible for monitoring the governance practices of subsidiaries, have adopted concrete tools to ensure a long-term governance strategy for all subsidiaries.

First, governance of the Bank’s subsidiaries is provided by the Senior Vice-President, Legal Affairs and Corporate Secretary of the Bank, who works closely with the subsidiaries to help apply best corporate governance practices across all of the Bank’s subsidiaries. This approach ensures consistent deployment of the long-term governance strategy across all subsidiaries, with an emphasis on best practices and a robust accountability framework, while integrating all regulatory requirements in the relevant jurisdictions. Moreover, the main subsidiaries periodically provide the Risk Management Committee with an overview of their main activities, operations, business strategy, management structure, and risk management framework, including their risk appetite, and the regulatory environment.

Furthermore, the subsidiary governance framework developed by the Bank ensures that best practices are adopted by the subsidiaries by promoting certain key principles of governance, compliance, and risk management. By relying on this framework, each subsidiary’s board of directors can apply the necessary oversight and controls while taking into account the subsidiary’s specific business reality, oversight by regulatory authorities, and the Bank’s risk appetite.

ENGAGEMENT WITH THE BANK’S STAKEHOLDERS

The Bank’s management and Board believe that sound governance is the result of a collaborative effort. The Bank plays a key role in society, and it’s through concerted efforts with various stakeholders that it can contribute in a sustainable fashion. The rapid evolution of standards and aspirations with regards to ESG matters brings forth opportunities to have in-depth conversations and find solutions to contemporary issues. Having open, transparent, and constructive dialogue with stakeholders is of utmost importance to the Bank, as such dialogue helps the Bank to better understand their viewpoints and concerns and, in turn, respond appropriately to the changing needs of society. The Bank’s growth has long been supported by its engagement with stakeholders, and the importance of these relationships is at the core of the Bank’s One Mission.

As part of its commitment to shareholder engagement, the Board adopted the Stakeholder Engagement Guidelines, which is a document that presents the many channels whereby the Bank can initiate conversations with stakeholders and that stakeholders can use to share their comments and questions.

The Stakeholder Engagement Guidelines can be found in the “Governance” subsection under “About Us” on the [nbc.ca](https://www.nbc.ca) website.



5. Governance practices

Listed below are some of the ways that the Bank’s management and Board engage with the Bank’s main stakeholders:

STAKEHOLDER	MAIN INTERACTIONS
Clients	<ul style="list-style-type: none"> • Discussions through customer service and the branch network (in person, by phone, email, social networks, digital platforms, etc.) • Satisfaction surveys and discussion groups • Educational content on the website and via social networks • Complaint management process • Client Complaint Appeal Office • Discussions and meetings between management or the Board and consumer associations • Meetings at client events
Employees	<ul style="list-style-type: none"> • Quarterly conferences with the President and other members of management • Internal social networks • Surveys and discussion groups on employee experience • Employee Ombudsman and Ethics Ombudsman • Inclusion and Diversity Council • Employee resource networks • Team meetings • Visits from management and Board members • Idea-sharing tribune to improve employee experience (Voice of Employees) • Employee Assistance Program
Communities (and peers, interest and industry groups, regulatory authorities, and governments, etc.)	<ul style="list-style-type: none"> • Participation in consultations, roundtables, surveys, conferences, and forums • Participation in charity events • Participation in initiatives led by groups that represent diverse communities and different interests • Participation in academic research • Participation in incubators and accelerators • Volunteering program • Participation in peer working groups • Involvement with industry or business associations • Media relations • Dialogue and meetings with management, the Board, regulatory authorities and other government bodies
Shareholders and investors (and analysts, brokers, etc.)	<ul style="list-style-type: none"> • Transaction-free presentations, meetings, calls, and discussions with management • Transaction-free presentations, meetings, calls, and discussions with the Chair of the Board and members of the Board • Quarterly conference calls and webcasts to present financial results • Broker-sponsored conferences • Press releases • Investor Relations Department • Discussions and meetings with management and the Board • Annual meeting (proposals submitted to a vote by management or shareholders, including the advisory vote on compensation, question period)

In addition, the Board regularly receives reports and presentations on the topics related to each of the Bank’s main stakeholders and discusses these items with management.

Publications

In addition to these interactions, the Bank informs and communicates with stakeholders through the documents it publishes on the nbc.ca website. These documents provide information on many topics of interest to all stakeholders, namely:

- Its financial position: Annual Information Form, Annual Report, quarterly financial statements, etc.
- Its governance: Management Proxy Circular, etc.
- Its extra-financial performance: ESG Report; Corporate Social Responsibility Statement; Inclusion and Diversity Booklet; etc.

5. Governance practices

Ongoing dialogue with Shareholders

Shareholders can contact the Board through the Corporate Secretary or can contact the Bank's management through its Investor Relations Department and Public Affairs Department.

Their contact information is provided in the Information for Shareholders section at the end of the Circular as well as on the nbc.ca website in the "Contact Us" subsection of the Investor Relations section of the "About Us" tab.

Furthermore, Shareholders may request a meeting with the Chair of the Board, the chair of a committee, or a Director. To do so, they must contact the Corporate Secretary and:

- indicate whether they are Shareholders or representatives of Shareholders and the number and type of shares held;
- identify any other person who wishes to attend the meeting; and
- provide an overview of the matter to be discussed.

PROCEDURE FOR REPORTING IRREGULARITIES

The Audit Committee has adopted a policy for reporting irregularities relating to accounting and internal controls concerning the Bank's accounting and auditing activities, and it oversees the implementation of the policy. The policy governs how complaints and concerns, by any person or Bank employee, regarding accounting or auditing matters are received, retained, and handled, and it ensures that they are communicated anonymously and confidentially.

This policy can be found in the "Governance" subsection under "About Us" on the nbc.ca website.



6.

Committees of the Board

In performing its duties, the Board is assisted by four standing committees and a standing subcommittee: the Audit Committee, the Risk Management Committee, the Conduct Review and Corporate Governance Committee, the Human Resources Committee, and the Technology Subcommittee. The Board may also create special purpose committees to address specific needs whenever a situation so requires. In 2021, a special purpose committee was created to assist the Human Resources Committee and the Board in planning the succession of the President and Chief Executive Officer. For more information, refer to [Section 7](#).

Together with the Conduct Review and Corporate Governance Committee, the Board develops and approves mandates that set the roles and responsibilities of each committee and the subcommittee.

Characteristics of the committees

Each Board committee and the subcommittee:

- is made up exclusively of independent directors, as defined by the CSA;
- has implemented procedures to ensure that it is independent from the Bank's management, which provides the committee or subcommittee with access to the information it needs to carry out its mandate;
- has met *in camera*, without the Bank's management being present, at each of its meetings;
- may inquire about any matter it deems relevant and, to that end, has full access to the Bank's books, records, facilities, premises, Executive Officers, Officers, and employees;
- may invite other individuals (who do not possess voting rights) to attend its meetings, either in full or in part; and
- periodically reviews its own mandate.

All four committees and the subcommittee are confident that, for fiscal 2021, they have fulfilled their responsibilities in accordance with their respective mandates.

6. Committees of the Board

Chair of the Board

The Chair of the Board:

- may attend any committee or subcommittee meeting (of which he is not a member) as a guest and, as such, may not vote on any item;
- may, at the request of a committee or subcommittee chair, serve as a member of the committee and have the right to vote if a quorum could not otherwise be attained at a meeting; and
- may chair the meetings of a Board committee or subcommittee when needed upon request by the committee or subcommittee members

Experience and competencies of members

Each member has the required skills, knowledge, and experience to adequately fulfill their duties and effectively contribute to the mandate of the committee and subcommittee on which they serve or is able to acquire the necessary knowledge and expertise within a reasonable length of time following their appointment.

Most of the Directors serve on more than one committee or subcommittee, which fosters a better overall understanding of the committee and subcommittee mandates and the challenges facing the Bank's various business lines. For more information about the members of the Board's standing committees and standing subcommittee during fiscal 2021, refer to [Section 3](#) of the Circular.

For more information

The duties and responsibilities of each committee and the subcommittee are described more fully in their respective mandates. The mandate of each committee and the subcommittee and their chairs can be found in the "Governance" subsection under "About Us" on the [nbc.ca](#) website.

Section 5 of this Circular provides additional information about the concepts of "independent director" and "conflict of interest" as well as about the Board committees and subcommittee, in particular their power to retain legal counsel or other independent consultants.

Additional information about the education and experience of the Audit Committee members can be found in the "Information on the Audit Committee" section of the 2021 Annual Information Form.



AUDIT COMMITTEE

Members



Karen
Kinsley,
Chair



Maryse
Bertrand



Pierre
Blouin



Andrée
Savoie



Pierre
Thabet

- The members of the Committee met six times this past fiscal year (including one meeting held jointly with the Risk Management Committee) to fulfill each of the responsibilities described in their mandate.
- The independent auditor attended each of the Committee meetings.
- Every member of the Committee is “financially literate” as required by Regulation 52–110 respecting Audit Committees (CQLR c. V-1.1, r. 28).
- Members of the Committee do not serve on the audit committee of more than three public corporations, including that of the Bank.
- The Committee met *in camera* with the Chief Financial Officer and Executive Vice-President – Finance, the Senior Vice-President – Internal Audit, and the independent auditor.
- The Committee has served as the audit committee for a subsidiary, namely, Natcan Trust Company.

Main responsibilities

Main achievements

Notably, we:

Reviewing the financial statements and the management’s discussion and analysis and ensuring their integrity

- ✓ **Reviewed** and **recommended** that the Board approve the interim condensed consolidated financial statements, the audited annual consolidated financial statements, the annual report, the annual information form, the press releases for dividend declarations, and supplementary financial information
- ✓ **Reviewed** the proposals to declare dividends and **made recommendations** to the Board

Overseeing the work of the independent auditor and assessing its performance

- ✓ **Reviewed** the independent auditor’s conclusions on the annual consolidated financial statements and **discussed** the annual and interim condensed consolidated financial statements with the independent auditor
- ✓ **Reviewed** and **approved** the agreement covering external audit services
- ✓ **Recommended** to the Board the appointment and compensation of the independent auditor
- ✓ **Reviewed** and **approved** the independent audit plan for the fiscal year ending October 31, 2021
- ✓ **Carried out** a complete assessment of the effectiveness and contribution of the independent auditor (including its competencies, resources, and degree of autonomy), **verified** its independence, and **recommended** to the Board that its services as independent auditor be proposed again for the fiscal year ending October 31, 2021
- ✓ **Oversaw** the application of the guidelines concerning the management of services provided by the independent auditor and **preapproved** certain mandates
- ✓ **Reviewed** the draft independent auditor’s report concerning the key audit matters

AUDIT COMMITTEE (continued)

Main responsibilities	Main achievements Notably, we:
Reviewing the effectiveness of internal control policies and procedures	<ul style="list-style-type: none"> ✓ Reviewed the report on internal controls over financial reporting ✓ Reviewed the reports on the Bank's compliance with regulatory capital ratios ✓ Reviewed and updated audit policies, as appropriate
Oversight functions	<ul style="list-style-type: none"> ✓ Reviewed and approved the mandates of the Finance oversight function and the Internal Audit oversight function, the nature and scope of their work, as well as the annual audit plan ✓ Obtained assurance regarding the independence and effectiveness of the Finance oversight function and the Internal Audit oversight function, made sure that they have sufficient resources to fulfill their mandates and responsibilities, and approved their budgets ✓ Reviewed the interim and annual reports of the Senior Vice-President – Internal Audit and ensured that necessary follow-up measures had been taken in response to the main recommendations in these reports ✓ Received the interim and annual reports produced by the Chief Compliance Officer regarding the compliance status of the Bank and its subsidiaries, in particular compliance with anti-money laundering and proceeds of crime regulations ✓ Assessed the performance of the Chief Financial Officer and Executive Vice-President – Finance as well as that of the Senior Vice-President – Internal Audit and sent the resulting compensation recommendations to the HRC and the Board ✓ Reviewed candidacies and sent recommendations to the HRC and the Board regarding the appointment and compensation of the Senior Vice-President – Internal Audit ✓ Reviewed the succession plan of the Chief Financial Officer and Executive Vice-President – Finance as well as that of the Senior Vice-President – Internal Audit and sent recommendations to the HRC and the Board
Reviewing financial soundness	<ul style="list-style-type: none"> ✓ Received the annual report on litigation against the Bank and its subsidiaries that could constitute a material risk ✓ Discussed changes in accounting, financial, and regulatory standards as well as in reporting requirements for environmental, social, and governance factors ✓ Reviewed, with the RMC, the Bank's use of derivative financial instruments ✓ Reviewed, with the RMC, the Bank's progress in measuring greenhouse gas reduction applicable to the loan portfolio ✓ Reviewed, with the RMC, the management of allowances for credit losses ✓ Reviewed and recommended the operating budget to the Board ✓ Reviewed the progress of the technology transformation strategy in the Finance segment ✓ Reviewed and recommended to the Board the payment of coupons for the Limited Recourse Capital Notes

RISK MANAGEMENT COMMITTEE

Members



Pierre
Thabet,
Chair

Yvon
Charest

Patricia
Curadeau-
Grou

Karen
Kinsley

Lino A.
Saputo

Macky
Tall

- The members of the Committee met nineteen times this past fiscal year (including one meeting held jointly with the Audit Committee) to fulfill each of the responsibilities described in their mandate.
- The Committee met *in camera* with the Executive Vice-President – Risk Management and with the Chief Compliance Officer.

Main responsibilities

Overseeing the management of the main risks to which the Bank is exposed

Main achievements

Notably, we:

- ✓ **Held discussions** with the Financial Consumer Agency of Canada and the Canada Deposit Insurance Corporation as part of annual meetings
- ✓ **Reviewed** the integrated risk management reports, which follow up on risks related to sales practices, among other matters
- ✓ **Received** the summary of highlights from the TSC meetings
- ✓ **Reviewed** the various sensitivity analyses related to credit risk, including the impacts of the COVID-19 crisis
- ✓ **Reviewed** the reports addressing the allowances for credit risk on impaired loans (IFRS 9)
- ✓ **Reviewed**, with the AC, the Bank's use of derivative financial instruments
- ✓ **Reviewed**, with the AC, the Bank's progress on measuring greenhouse gas reduction applicable to the loan portfolio
- ✓ **Reviewed**, with the AC, the management of allowances for credit losses
- ✓ **Received** the annual report on litigation against the Bank and its subsidiaries that could constitute a material risk
- ✓ **Reviewed, updated, and approved**, as necessary, certain risk management policies
- ✓ **Reviewed and approved** various credit files of the Bank's clients in accordance with the credit approval policies
- ✓ **Reviewed and revised** principles related to the approval of transactions in the context of the COVID-19 crisis
- ✓ **Reviewed and approved** the contingency and business recovery plan and the Canadian resolution plan in case of bankruptcy
- ✓ **Received** information on key changes made to laws, regulations, and other rules, in particular those involving privacy, as well as information on material regulatory non-compliance risks
- ✓ **Reviewed** the annual report on investments
- ✓ **Reviewed and approved** the changes made to certain sectoral limits
- ✓ **Reviewed** the reports on the oil and gas sector
- ✓ **Approved and recommended** to the Board the revision of the limit of the international investment envelope
- ✓ **Reviewed** the governance of certain Bank subsidiaries
- ✓ **Reviewed** the work of the Compensation Risk Oversight Working Group

6. Committees of the Board

RISK MANAGEMENT COMMITTEE (continued)

Main responsibilities	Main achievements Notably, we:
Reviewing and approving the Bank's risk appetite framework	<ul style="list-style-type: none"> ✓ Approved and recommended that the Board approve the Bank's risk appetite framework and ensured that the Bank's management was implementing appropriate processes to effectively manage risks
Overseeing capital and liquidity and funding management	<ul style="list-style-type: none"> ✓ Reviewed and approved the results obtained from capital stress-testing scenarios ✓ Reviewed and recommended that the Board approve the capital plan ✓ Reviewed the liquidity management reports ✓ Examined and approved the funding plan
Oversight functions	<ul style="list-style-type: none"> ✓ Reviewed and approved the mandate of the Risk Management oversight function and the Compliance oversight function as well as the nature and scope of their work ✓ Obtained assurance regarding the independence and effectiveness of the Risk Management and Compliance oversight functions, made sure that they have sufficient resources to fulfill their mandates and responsibilities, and approved their budgets ✓ Reviewed the interim and annual reports produced by the Chief Compliance Officer regarding the compliance status of the Bank and its subsidiaries, including the compliance with anti-money laundering and proceeds of crime regulations ✓ Received the reports of the Senior Vice-President – Internal Audit and obtained assurance that necessary follow-up measures had been taken in response to the main recommendations in these reports ✓ Received the annual audit plan ✓ Assessed the performance of the Executive Vice-President – Risk Management and the Chief Compliance Officer and sent the resulting compensation recommendations to the HRC and the Board ✓ Reviewed the succession plan of the Executive Vice-President – Risk Management and of the Chief Compliance Officer and sent recommendations to the HRC and the Board
Other	<ul style="list-style-type: none"> ✓ Reviewed the progress made on the construction of the new head office

CONDUCT REVIEW AND CORPORATE GOVERNANCE COMMITTEE

Members



Yvon
Charest,
Chair



Patricia
Curadeau-
Grou



Jean
Houde



Robert
Paré



Andrée
Savoie

- The members of the Committee met five times this past fiscal year to fulfill the responsibilities set out in their mandate.
- The Committee served as the conduct review committee for a subsidiary, namely, Natcan Trust Company.

Main responsibilities	Main achievements Notably, we:
Composition and operation of the Board and its committees	<ul style="list-style-type: none"> ✓ Verified the independence, eligibility, availability, and competencies of the Board members ✓ Reviewed and recommended that the Board approve the appointment of the Chair of the Board, the composition of the Board committees, and the appointment of committee and subcommittee members and their chairs ✓ Reviewed the updates related to recent changes in regulations, guidelines, and governance and recommended changes to the Bank's governance practices to the Board ✓ Obtained the assurance that each Director complies with the Code of Conduct and Ethics, understands conflict-of-interest standards, and is not in a conflict-of-interest situation
Orientation and education of Directors	<ul style="list-style-type: none"> ✓ Updated the Orientation and Continuing Education Program for Directors and ensured application thereof ✓ Suggested training topics
Assessment of the Board, its committees, and Directors	<ul style="list-style-type: none"> ✓ Reviewed the methodology for assessing the Board and its Chair, the committees and the committee chairs, and the Directors ✓ Developed an action plan for assessing the performance of the Board and its committees and conducted periodic monitoring on the implementation of proposals designed to improve efficiency
Succession planning for the Directors and Chair of the Board	<ul style="list-style-type: none"> ✓ Reviewed the composition of the Board, the Board's diversity, the term of office of a directorship, the skills and experience of the Board, and assessed potential Director nominees
Oversight of governance matters	<ul style="list-style-type: none"> ✓ Reviewed and recommended that the Board approve the Management Proxy Circular (including the Shareholder proposals and responses thereto and the form of proxy) for the Annual Meeting of the Holders of Common Shares of the Bank held on April 23, 2021 ✓ Reviewed and updated the governance framework of the subsidiaries ✓ Received the annual report on compliance with the subsidiaries' governance framework ✓ Approved and recommended to the Board a revision to its mandate ✓ Reviewed the list of Directors who are part of the Bank's group

6. Committees of the Board

CONDUCT REVIEW AND CORPORATE GOVERNANCE COMMITTEE (continued)

Main responsibilities	Main achievements Notably, we:
Oversight of environmental, social, and governance matters	<ul style="list-style-type: none"> ✓ Reviewed, periodically, the Bank's environmental and social strategy ✓ Reviewed and recommended that the Board approve the Corporate Social Responsibility Statement ✓ Reviewed environmental, social, and governance trends ✓ Reviewed and recommended to the Board the 2050 net-zero emission target ✓ Reviewed and discussed advisory votes on climate action plans ✓ Reviewed and discussed the Net-Zero Banking Alliance, its content, its execution, and the next steps ✓ Received the Bank's disclosure regarding privacy
Oversight of matters related to review, ethics, and client protection measures	<ul style="list-style-type: none"> ✓ Reviewed the reports and the implementation of mechanisms to ensure compliance with legislative provisions concerning related party transactions ✓ Reviewed the reports on complaints made by clients of the Bank and processed by the Client Complaint Appeal Office ✓ Reviewed the implementation of new legislative measures applicable to client protection ✓ Reviewed the report on the protection of seniors ✓ Reviewed the report on the application of the Code of Conduct and Ethics
Director compensation	<ul style="list-style-type: none"> ✓ Reviewed and recommended to the Board a revision to the Bank's Director Compensation Program ✓ Reviewed the annual renewal of the liability insurance of Directors and Officers and the crime insurance for financial institutions

HUMAN RESOURCES COMMITTEE

Members



Pierre
Boivin,
Chair



Maryse
Bertrand



Pierre
Blouin



Yvon
Charest



Rebecca
McKillican



Robert
Paré

- The members of the Committee met eight times this past fiscal year to fulfill the responsibilities set out in their mandate.
- The Committee, with the support of the Compensation Risk Oversight Working Group, ensures, in particular, that the implemented compensation policies and programs are conducive to achieving the Bank's strategic and financial objectives without compromising its viability, solvency, or reputation.

Main responsibilities	Main achievements Notably, we:
Oversight of compensation policies, programs, and practices	<ul style="list-style-type: none"> ✓ Reviewed the total compensation strategy ✓ Recommended that the Board approve the targets and parameters of the ICP, which applies to over 9,000 employees, and the parameters of the SYNERGY – Executives Program, which applies to Executive Officers and Officers, for fiscal year 2021 ✓ Approved the short-, mid-, and long-term variable compensation envelopes for 2021 ✓ Reviewed and approved proposed changes to certain compensation programs, including the parameters of the 2022 Officer compensation program that include ESG priorities, the share ownership guidelines, and restricted share unit plans ✓ Reviewed the metrics of the new SYNERGY – Business Segments Compensation Program being rolled out to the sales force in 2022 ✓ Recommended that the Board approve the replenishment of the share reserve for the Stock Option Plan
Performance and compensation management of the President and Chief Executive Officer	<ul style="list-style-type: none"> ✓ Approved the objectives of the scorecard and the SYNERGY – Executives Compensation Program performance targets applicable to the President and Chief Executive Officer, Executive Officers, and other Executives ✓ Reviewed the competitiveness of the target total direct compensation of the President and Chief Executive Officer, and subsequently recommended it for Board approval ✓ Assessed the President and Chief Executive Officer's performance based on financial results, annual objectives, and key performance indicators, including ESG priorities, as well as the prudence with which he managed the Bank's operations and the risks to which the Bank is exposed, and reported to the Board

6. Committees of the Board

HUMAN RESOURCES COMMITTEE (continued)

Main responsibilities	Main achievements Notably, we:
Performance and compensation management of the Other Executive Officers and of the heads of the oversight functions	<ul style="list-style-type: none"> ✓ Received the President and Chief Executive Officer's report on the performance of the Other Executive Officers ✓ Reviewed the competitiveness of the target total direct compensation and recommended that the Board approve the modification to the compensation of the Members of the Office of the President, including that of Laurent Ferreira as Chief Operating Officer and then President and Chief Executive Officer ✓ Reviewed, in collaboration with the AC and the RMC, the competitiveness of the target total direct compensation of the heads of the oversight functions and subsequently recommended that the Board approve their compensation
Review of the Executive Officers' and Officers' succession and development plan	<ul style="list-style-type: none"> ✓ Reviewed the talent management strategies, including the talent attraction strategy ✓ Reviewed the employee experience scorecard, which summarizes various aspects of employee experience such as culture, talent, development, performance, and inclusion and diversity ✓ Reviewed and recommended that the Board approve the updated succession plan of the Executive Officers, of the heads of the oversight functions, and of the Officers of the Bank, taking into account the Bank's values, in particular with respect to inclusion and diversity ✓ Participated in a selection committee to determine the succession of the President and Chief Executive Officer and recommended the appointment of Laurent Ferreira as President and Chief Executive Officer
Oversight of pension plans and employee benefits	<ul style="list-style-type: none"> ✓ Reviewed a report on the performance and risk taking of the mutual fund and on the application of the investment policy to the Bank's pension plans ✓ Approved reviews of the investment policy applicable to the pension plans ✓ Approved the amendment on the eligibility to the employee pension plan as a result of the preference of a group of commissioned employees to join the plan ✓ Approved the pension plan agreement for Laurent Ferreira as President and Chief Executive Officer ✓ Monitored the deployment of the new innovative employee benefits offer, including employee health, safety, and wellness
Stakeholder engagement and compliance with compensation governance standards	<ul style="list-style-type: none"> ✓ Reviewed the Bank's Internal Audit oversight function's report on total compensation policies, programs, and practices ✓ Confirmed that all Executive Officers and heads of the oversight functions were compliant with the Bank's Code of Conduct and Ethics and with its conflict of interest standards ✓ Monitored exchanges with the Bank's institutional Shareholders and governance bodies

For more information on the education and experience of the Human Resources Committee members, refer to Section 7 of the Circular.



TECHNOLOGY SUBCOMMITTEE

Members



Pierre
Blouin,
Chair



Patricia
Curadeau-
Grou



Rebecca
McKillican

- The members of the subcommittee met five times this past fiscal year to fulfill the responsibilities set out in their mandate.

Main responsibilities	Main achievements Notably, we:
Technology strategy	<ul style="list-style-type: none"> ✓ Reviewed the technology strategy and its alignment with the business strategy ✓ Reviewed the progress made on the digitization of services and digital offering strategy ✓ Reviewed the open banking strategy
Technology investments and assets	<ul style="list-style-type: none"> ✓ Reviewed the annual budget to support the technology strategy and the investments in and management of technology assets ✓ Reviewed the portfolios of technology initiatives for each of the business lines ✓ Reviewed the strategy of investing in new financial technologies
Oversight and control	<ul style="list-style-type: none"> ✓ Reviewed the interim reports regarding the delivery of technology services, including project follow-ups and technology modernization ✓ Reviewed the interim reports on technology risk, including cyber risks and cybercrime ✓ Received information about the delivery of technology risk projects, including cybersecurity
Technology oversight	<ul style="list-style-type: none"> ✓ Reviewed actual cases of cyber attacks, their impacts, and lessons learned ✓ Reviewed trends in emerging and disruptive technologies and discussed their impacts
Privacy	<ul style="list-style-type: none"> ✓ Reviewed and discussed the strategy related to data, data security, and data use ✓ Reviewed the legislative amendments made to the protection of personal information ✓ Reviewed and updated the privacy policy

7.

Executive Officer compensation

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LETTER TO SHAREHOLDERS

This section presents the Bank’s compensation approach, the factors that determine the total compensation package applicable to Executive Officers, key information from the past fiscal year, and the compensation granted to the Named Executive Officers.

Strong pillars supporting continued growth

Throughout 2021 and in the context of the ongoing pandemic, the Bank continued to place the well-being of its employees and clients at the forefront of its concerns. The Board is proud of the Bank’s commitment to our mission—to put “People first”. The Bank delivered exceptional performance this year. The Bank’s results confirm the sound strategic choices made over the years and its strong culture of agility.

In many ways, 2021 was a year of transition since the Board completed a rigorous multi-year succession process to select the Bank’s new President and Chief Executive Officer. Louis Vachon, who had held the position since 2007, announced his intention to retire at the end of October 2021, and the Board appointed Laurent Ferreira as his successor.

In 2021, the Bank delivered superior revenue growth and growth in income before provisions for credit losses and taxes compared to last year, driven by continued momentum in all our businesses. It generated industry-leading organic growth and return on equity while maintaining strong capital levels and prudent allowances for credit losses.

In 2021, we generated diluted earnings per share of \$8.96, a 57% year-over-year increase, or 48.2% excluding specified items. We met or exceeded four of our five mid-term objectives, as shown below:

Mid-term objectives and 2021 results	Mid-term objectives	2021 Results	Objective achieved
Growth in diluted earnings per share excluding specified items ⁽¹⁾	5-10%	48.2%	✓
Return on equity excluding specified items ⁽²⁾	15-20%	20.8%	✓
Dividend payout ratio excluding specified items ⁽²⁾	40-50%	31.3%	Refer to paragraph below
CET1 capital ratio ⁽³⁾	> 11.00%	12.4%	✓
Leverage ratio ⁽³⁾	> 3.75%	4.4%	✓

- (1) Refer to the “Financial Reporting Method” section on pages 18 to 21 of the [2021 Annual Report](#) for details on non-GAAP financial measures.
- (2) Refer to the “Financial Reporting Method” and “Glossary” sections on pages 18 to 21 and 123 to 126, respectively, of the [2021 Annual Report](#) for details on non-GAAP ratios.
- (3) Refer to the “Financial Reporting Method” section on pages 18 to 21 of the [2021 Annual Report](#) for details on capital management measures.

Following OSFI’s March 13, 2020, guidance for all federally regulated financial institutions in a pandemic context, the Bank suspended dividend increases and share buybacks. On November 4, 2021, OSFI updated its expectations in this regard and the Bank subsequently announced a 23% increase in its dividend per common share and initiated a share buyback program. This increase, announced after the close of our 2021 fiscal, reflects our commitment to generate sustained dividend growth for the benefit of our Shareholders over the long term.

The Bank was also the top of the class in TSR for the three, five, ten, and twenty-year periods.

Industry-leading TSR (CAGR ⁽¹⁾)

For the periods ended October 31, 2021

Ranking ⁽²⁾		National Bank	Canadian peers	TSX
#2	1 year	65.8%	58.1%	38.9%
#1	3 years	24.7%	13.7%	15.4%
#1	5 years	21.3%	12.2%	10.6%
#1	10 years	15.9%	12.6%	8.8%
#1	20 years	15.8%	11.8%	8.6%

(1) Compound annual growth rate.

(2) Among Canadian banks: Bank of Montreal, Canadian Imperial Bank of Commerce, Royal Bank of Canada, The Bank of Nova Scotia, and The Toronto-Dominion Bank.

Importance of ESG criteria in the Officer compensation

The Bank is dedicated to implementing practices that support the sustainable development and maintaining the best balance of interests among stakeholders in society.

The Bank’s ESG strategy, including its efforts to manage climate-related risks and opportunities, is among its priorities. Notably, in 2021, the Bank joined the Partnership for Carbon Accounting Financials, a global partnership of financial institutions created to develop a common methodology for measuring and disclosing the GHG emissions associated with loans and investments. In addition, the Bank also joined the Net-Zero Banking Alliance, a global industry-led initiative to accelerate efforts to address climate change.

The Bank continues to promote inclusion and diversity among its employees, customers, and the community. In 2021, the Bank published its first booklet devoted entirely to inclusion and diversity, which presents the strategy, areas of action, partnerships and performance indicators that stem from the Bank’s three-year (2020-2023) inclusion and diversity plan.

Since November 1, 2021, ESG priorities have been integrated into the creation of the Officer Compensation Program, i.e.:

- To encourage attainment of net-zero emissions by 2050, annual trends for certain interim targets will be evaluated, such as reducing the carbon footprint of the Bank’s operations by 25% by the end of 2025.
- Progress made towards the inclusion and diversity targets set out in the 2020-2023 plan.

Each of the pillars of social responsibility—Shareholders, employees, customers, and the community—are at the very heart of the objectives and achievements of the Bank’s Executive Officers.

For more information about ESG, inclusion and diversity, refer to Section 5 of the Circular.



Evolution of practices and programs

Over the last few years, our compensation programs have constantly evolved to generate a high level of profitability, efficiency, client satisfaction, and employee engagement, while aligning Officers around our One Mission.

To support the shift to the One Mission, many initiatives have been put forward since 2020. In 2021, we further strengthened the alignment of compensation, performance, and shared responsibilities and behaviours by funding the compensation of all Executive Officers and about 100 Officers through a single envelope based on the Bank's available net income and other key metrics in the scorecard applicable to the Executive Officers and Officers.

On March 13, 2020, OSFI indicated that it expected all banks to suspend any form of compensation increase for Named Executive Officers. That action was lifted in 2021, following which the Bank made adjustments to the target total direct compensation of certain Named Executive Officers that had been planned in 2020.

The increase in total direct compensation paid for all Named Executive Officers reflects an exceptional fiscal year with an overachievement of the budgeted net income. The compensation level in 2021 contrasts with that of 2020, when major disruptions in the global environment in which the Bank operated affected its financial results, essentially due to higher credit loss provisions resulting from the significant deterioration in the macroeconomic outlook caused by COVID-19, thereby impacting the variable compensation awarded to the Named Executive Officers in 2020. The total direct compensation paid under the SYNERGY – Executives Program is equivalent to what would have been paid under the previous Officer Compensation Program and is aligned with the compensation paid by other programs at the Bank.

The ultimate goal of this initiative is to accelerate the Bank's organizational transformation and increase its client focus by using variable compensation to promote collaboration and to reward the achievement of common priorities, including ESG priorities, while remaining aligned with best compensation governance principles. This change has also allowed us to harmonize the compensation components for all Officers. The SYNERGY – Executives Program is described in detail in this Circular.

Through several initiatives, the Bank continues to review the variable compensation programs of certain employee groups to ensure alignment with our One Mission and to promote desired behaviours, namely, an increased attention on customers and on collaboration between our various sectors. The deployment of the new innovative offer in terms of employee benefits and flexible working conditions continues to make the Bank an employer of choice in a highly competitive job market.

CEO Succession

Following the retirement of President and Chief Executive Officer Louis Vachon on October 31, 2021, Laurent Ferreira succeeded him in this position as of November 1, 2021, in accordance with the Bank's succession planning process. Laurent Ferreira was previously appointed Chief Operating Officer on February 1, 2021.

The Board is pleased to be able to count on Laurent Ferreira to lead the Bank in its next chapter. Laurent Ferreira has a strong track record of strategic leadership and a deep understanding of the Bank, the banking industry, global markets, and risk management. Having been a key player in the Bank's multi-year transformation and cultural shift, Laurent Ferreira also led the development of our new three-year strategic plan. The Board has full confidence in the ability of our Executive Officers to pursue the Bank's objectives, building on the Bank's successes with Laurent at the helm.

Compensation of the President and Chief Executive Officer

The Board and the Human Resources Committee made no change to the target total direct compensation of Louis Vachon, President and Chief Executive Officer, for fiscal 2021. Given the Bank's outstanding performance in fiscal 2021 and Louis Vachon's leadership in establishing the One Mission, an organizational transformation effort, and in his ability to mobilize employees to build a high-performance, agile organization, he was awarded a higher total direct compensation (including mid- and long-term compensation) than the total compensation paid in 2020. This was due to exceptional results in 2021 compared to 2020, when the short-term incentive compensation was 73% of target due to the pandemic.

Changes within the Office of the President

On January 12, 2022, some changes took place in the Office of the President team. These changes are in line with our One Mission and goals to accelerate our digital service offering through simple, secure, and reliable solutions and to offer more comprehensive support to certain client segments to better meet their personal and business needs. As such:

- To support our efforts to simplify, digitize and automate our processes, the Operations and IT sectors are now grouped into a single team. Julie Lévesque, currently in charge of the IT sector, leads the new Technology and Operations team as its Executive Vice-President.
- To offer a revamped client-centric approach and to stand out by adopting a unique market position, a merger of the Commercial Banking and Private Banking 1859 sales forces has been formed and is co-led by Stéphane Achard and Éric Bujold, Executive Vice-Presidents and Co-Heads of Commercial Banking and Private Banking.

A constant commitment to good governance

The Board seeks to continuously adopt best governance practices with respect to compensation and human resources, i.e., to further improve the Bank's stewardship and risk management functions. It champions a strong risk management culture, strengthened through active compliance, controls, and audits across all the Bank's business lines. It assesses the soundness of business opportunities against the Bank's risk management framework, which considers both financial and non-financial risks.

Conclusion

The Bank appreciates receiving feedback from Shareholders and regularly communicates with its investors, shareholder associations, and regulatory authorities about its approach, strategy, and governance with regards to Executive Officer compensation.

We believe that our compensation approach, on which you are invited to vote, and our compensation-related decisions adhere to our guiding principles on compensation and, as such, achieve the right balance between earning the loyalty of talented and qualified Officers, tying compensation closely to performance, promoting sound risk-taking, and aligning the interests of Executive Officers with those of Shareholders.

For more information about the Bank, in particular information on Executive Officer compensation, we refer you to the following pages of the Circular.



Jean Houde
Chair of the Board of Directors



Pierre Boivin
Chair of the Human Resources Committee

GUIDING PRINCIPLES FOR COMPENSATION

To create value for Shareholders, Executive Officers, and Officers must make decisions that help the Bank reach its financial and share price performance objectives over the short-, mid- and long-term periods as well as meet non-financial objectives such as client satisfaction. They must also make decisions that are in the financial interests of the Bank and its Shareholders. The compensation policy developed by the Bank and its Human Resources Committee is based on the four guiding principles described below.

1 Pay for performance

- Reward Executive Officers and Officers for their contribution to annual results and motivate them to maintain their performance over time in order to grow long-term value for Shareholders.
- Offer short-, mid- and long-term variable compensation programs based on various complementary financial and non-financial metrics.

2 Promote sound risk taking

- Offer Executive Officers, Officers, and material risk-takers variable compensation programs that encourage them to comply with the Bank's risk tolerance limits and to properly manage other types of risk.
- Include specific measures that balance risk and performance in order to meet regulatory and prescriptive requirements and to ensure the Bank's sustainability.

3 Reward contribution

- Ensure the competitiveness of total compensation relative to that offered by organizations that make up the Bank's peer group.
- Ensure that total compensation reflects the level of responsibility, expertise, competence, and experience.
- Reward Executive Officers and Officers for their contributions towards the achievement of objectives and the Bank's success.

4 Align the vision with that of Shareholders



- Ensure that a significant portion of the variable compensation of Executive Officers, Officers, and material risk-takers is share-based.
- Reward Executive Officers and Officers based on the TSR result compared to that of the other banks.
- Ensure that Executive Officers, Officers, and material risk-takers meet the Bank's minimum share ownership requirements.
- Be responsive to stakeholders in relation to recommended practices.

By relying on these four principles, the Bank achieves an appropriate and coherent balance between expected performance, prudent risk management, and compensation offered.



Summary of key compensation policies and practices in effect at the Bank

The Bank's goal is to be a leader in compensation strategies and in compensation governance practices. Below is an overview of the compensation practices that the Bank applies and those it does not.



1. Pay for performance

What we do 	What we do not do 
<ul style="list-style-type: none"> ✓ We compensate Executive Officers based on the Bank's financial and share price performance ✓ We assess Executive Officer performance by examining financial results, the demonstration of prudent risk management, a clear increase in customers and their satisfaction, the level of employee engagement, and the inclusive culture ✓ We ensure that a significant portion of compensation is contingent and subject to performance ✓ We offer short-, mid- and long-term variable compensation programs based on complementary financial and non-financial metrics ✓ We cap the allocation of the SYNERGY – Executives envelope to 150% of the individual target total direct compensation of the Executive Officers and Officers and the creation of the ICP offered to the vast majority of employees at 200% of the target ✓ We adopt performance measures that are consistent with the strategic plan approved by the Board ✓ We make sure that the variable compensation programs maximize the benefits of the organizational transformation and ESG priorities 	<ul style="list-style-type: none"> ✗ We do not grant Executive Officers a total direct compensation target that has a significant fixed compensation component (fixed compensation represents less than 25% of total direct compensation) ✗ We do not offer variable compensation that is not proportional to performance ✗ We do not implement compensation programs without first running simulations on various scenarios of the Bank's performance



2. Promote sound risk-taking

What we do 	What we do not do 
<ul style="list-style-type: none"> ✓ We ensure that the Bank maintains an appropriate and coherent balance between expected performance, prudent risk management, and compensation awarded ✓ We implement compensation policies and practices aligned with the FSB Principles for Sound Compensation Practices and their Implementation Standards published by the FSB ✓ We make sure that a significant portion of Executive Officer variable compensation is deferred, making them accountable for decisions that may entail greater long-term risk ✓ We have a policy that confers the right to cancel and claw back previously awarded variable compensation ✓ We reduce or cancel payments to material risk-takers if they fail to meet the Bank's risk tolerance limits ✓ We maintain a capital management policy whereby annual bonus envelopes can be reduced, even cancelled, if the Bank's minimum regulatory capital level required by the regulatory authorities is not achieved ✓ We make sure that the compensation paid to the heads of oversight functions is structured in such a way as to ensure their independence in the exercise of their duties and that it does not depend on the performance of the business lines they oversee 	<ul style="list-style-type: none"> ✗ We do not offer compensation programs that induce material risk-takers to take risks that would exceed the tolerance limits defined by the Bank ✗ We do not implement compensation programs applicable to material risk-takers without having those programs first examined and approved by the Compensation Risk Oversight Working Group, which is supervised by both the HRC and CRCGC

3. Reward contribution

What we do 	What we do not do 
<ul style="list-style-type: none">✓ We use a peer group consisting of Canadian banks and other financial institutions to establish the value of the total direct compensation of Executive Officers✓ We determine the value of the target total direct compensation by adjusting the peer group's median downward to reflect the relative size of the Bank✓ We make sure that the HRC can use independent external consultants to obtain necessary information about trends and best practices on compensation policies and programs✓ Our benchmarking approach reflects the best compensation practices. Furthermore, vertical pay ratios are submitted to the HRC annually✓ We implement practices that ensure equitable compensation for all employees	<ul style="list-style-type: none">✗ We do not use a peer group that represents an ideal or whose profile differs from that of the Bank

4. Align vision with that of Shareholders

What we do 	What we do not do 
<ul style="list-style-type: none">✓ We apply share ownership guidelines that align the interests of Executive Officers, Officers, and material risk-takers with the Bank's long-term performance✓ We offer Executive Officers and Officers the possibility of receiving up to 30% of their long-term variable compensation in the form of DSUs, redeemable only upon retirement or termination of employment, thus strengthening the alignment between their individual interests and those of the Shareholders✓ We invite Shareholders to participate in an advisory vote on the Board's approach to Executive Officer compensation ("say on pay")✓ We have established Stakeholder Engagement Guidelines so that Shareholders, associations representing them, and other stakeholders of the Bank can provide us with their questions, comments, and suggestions✓ We communicate regularly with institutional investors, proxy advisory firms, and corporate governance advocacy groups on issues raised by them✓ We implemented several measures that ensure sound management of the Stock Option Plan	<ul style="list-style-type: none">✗ We do not allow Executive Officers to take gains from exercised stock options without retaining Bank Common Shares of a value equal to such gains, until the applicable share ownership requirements are met✗ We do not allow employees to hedge their equity-based compensation✗ We do not grant stock options at a price below the market price of the Bank's Common Shares on the Toronto Stock Exchange, and we do not allow the price of existing stock options to be reduced

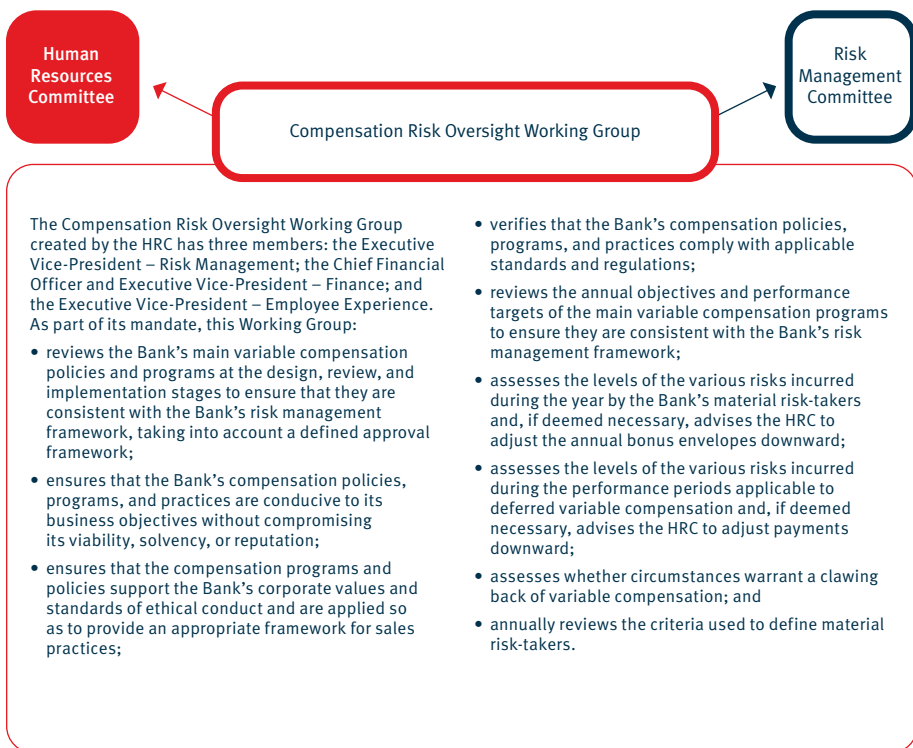
COMPENSATION GOVERNANCE

The Bank views risk governance as an integral part of its success and operational diversification, and favours a risk management approach consistent with its business expansion strategy. The purpose of the risk appetite framework is to provide reasonable assurance that incurred risks do not exceed acceptable thresholds and that such risks contribute to the creation of value for Shareholders. This means striking a healthy balance between risk and return.

In the normal course of business, the Bank is primarily exposed to credit risk, market risk, liquidity and funding risk, operational risk, regulatory non-compliance risk, reputational risk, strategic risk, and environmental and social risk. These main risks as well as others such as emerging risks or risks that are considered important may result in losses that could adversely affect expected earnings.

As part of its compensation risk oversight role, the Human Resources Committee must ensure that compensation policies and programs do not induce Executive Officers, Officers, material risk-takers, and employees in general to take risks that exceed the Bank's risk tolerance limits or risks that could damage the Bank's reputation. The Human Resources Committee fulfills this significant role with the support of various stakeholders, particularly the Compensation Risk Oversight Working Group. The Human Resources Committee also ensures that the Bank complies with the FSB principles.

The following diagram shows the interactions between the Compensation Risk Oversight Working Group and two of the committees created by the Board to which certain powers have been delegated, including oversight of compensation risks. For more information about the interactions among the committees, the oversight functions, and the Board, refer to the diagram on [page 41](#).



Human Resources Committee

With respect to compensation governance, the role of the Human Resources Committee is to:

- review the various components of total compensation, either when policies and programs are being developed or when they are being applied, while ensuring compliance with compensation governance principles;
- recommend that the Board approve new compensation programs or material changes to existing programs;
- ensure that the Bank's compensation policies and programs comply with current regulations and standards;
- ensure that the Bank complies with the Corporate Governance Guideline issued by OSFI and with the Principles for Sound Compensation Practices and their Implementation Standards issued by the FSB, for which the Canadian implementation and monitoring are conducted by OSFI;
- review the Senior Vice-President, Internal Audit's annual report on the assessment of any major variance between compensation paid and the compensation payable under the Bank's total compensation policies and programs and in accordance with FSB principles;
- consider the expectations of governance organizations;
- ensure that the Bank's compensation policies and programs promote sound risk management and closely tie compensation paid to the Bank's financial performance and TSR; and
- exercise its discretion, as it deems necessary, to adjust the annual variable compensation envelopes.

Competencies of Committee members

In accordance with best governance practices, the Human Resources Committee is made up entirely of independent Directors. All Human Resources Committee members have the competencies required to make decisions on the Bank's compensation policies and practices. These competencies were gained from the experience they acquired in current or former leadership positions, particularly in their capacities as chief executive officers or senior officers at other major corporations or as members of boards of directors or through their educational background.

For more information about the experience of each Human Resources Committee member as well as their role and education, refer to the individual biographies provided in [Section 3](#) of this Circular. For more information about the continuing education of the Bank's Directors, refer to [page 54](#).

The majority of the members serve on some of the Bank's other Board committees or subcommittee, which helps the Human Resources Committee make more informed decisions on the alignment of compensation policies and practices within the Bank as well as its alignment with sound risk management principles and practices. In addition, the majority of the Human Resources Committee members have served as members or chairs of human resources committees in other businesses and institutions.

7. Executive Officer compensation

Training and self-evaluation

- As part of the Orientation and Continuing Education Program for Directors, members of the Human Resources Committee attend, among others, presentations on risk management, and they use the knowledge they acquire in assessing compensation.
- The Human Resources Committee has built a self-assessment mechanism into the skills improvement process so that members can assess their expertise and experience.
- As part of its Orientation and Continuing Education Program, all new Directors meet with several Officers of the Bank. During these meetings, they learn about the organizational structure, compensation and Employee Experience practices.

Collaboration with other segments of the Bank

- At its discretion, the Human Resources Committee may also call on the expertise of various segments within the Bank, such as Total Compensation, Finance, Internal Audit, and Risk Management. These sectors work together, in particular, to design and review compensation programs.
- Each year, the Human Resources Committee receives a letter signed by three Officers tasked with overseeing the application of the variable compensation programs. It confirms that the data used to establish the SYNERGY – Executives envelope and the annual bonus envelopes are consistent with the results for the purposes of the SYNERGY – Executives and the annual bonus programs, and that the envelopes have been calculated in accordance with the programs applicable to Executive Officers, Officers, Financial Markets specialists, and all other Bank employees.

For more information about the Committee and its activities this past fiscal year, refer to the “Human Resources Committee” heading in [Section 6](#) of the Circular.

Monitoring implementation of compensation policies and programs

In exercising its duties, the Bank's Employee Experience unit oversees the implementation of policies and of all the variable compensation programs of the Bank and its subsidiaries.

Additional measures are taken to balance risks and return, to adequately satisfy regulatory and prescriptive requirements, and to ensure the Bank's sustainability. More specifically, the various programs for Executive Officers, Officers, and material risk-takers include the following measures:

Measure	Description
Variable compensation deferment	A portion of the annual bonuses of certain Executive Officers, Officers, and Financial Markets specialists who may have a considerable impact on the Bank's risk profile is deferred over three years.
Anti-hedging policy	Policy prohibiting Executive Officers, Officers, and employees from purchasing financial instruments designed to hedge or offset a decrease in the market value of equity securities granted as compensation or held directly or indirectly by the Executive Officer, Officer, or employee.
Variable compensation clawback policy	<p>Policy allowing the Bank to cancel and claw back not only the deferred portion but also all of the variable compensation awarded to Executive Officers, Officers, and Financial Markets specialists in specific circumstances, i.e., when any of the following scenarios arises:</p> <ul style="list-style-type: none"> – an employee has engaged in dishonest actions or unethical behaviour in the course of employment; – an employee has failed to comply with policies, rules, or procedures during the fiscal year or thereafter (for up to three years); or – a unit's financial results must be materially restated and reissued, and employee compensation is based on those results.
Independent analysis of Internal Audit	Each year, Internal Audit submits to the Compensation Risk Oversight Working Group and the HRC the results of its independent analysis designed to detect any material differences between the Bank's compensation policies, programs, and practices and the principles and standards issued by the FSB. Furthermore, the Internal Audit oversight function's analysis aims to detect any material differences between compensation paid and compensation payable under the Bank's total compensation policies and programs.

Share ownership requirements

Requirements designed to tie the long-term interests of Executive Officers, Officers, and certain Financial Markets specialists with the interests of Shareholders and to discourage them from taking undue and excessive risks.

- The incumbents in the Covered Positions must maintain minimum holdings of Common Shares of the Bank, including non-vested RSUs, non-vested PSUs, vested, and non-vested DSUs, and the increase in value of vested (but unexercised) in-the-money stock options, it being understood that this minimum holding must be proportional to the compensation received and given that it is based on the position held.
- The HRC regularly monitors compliance with the minimum share ownership requirement.

Changes have been made to the share ownership requirements as of February 1, 2022. These changes are discussed below:

Officers’ minimum ownership requirements

- The minimum holding amount represents a multiple of the previous three years’ average base salary.

Position	Multiple of previous three years’ average base salary	
	Until January 31, 2022	Since February 1, 2022
President and Chief Executive Officer ⁽¹⁾	7 times	8 times
Other Executive Officers ⁽²⁾	4 times	5 times
Members of the Financial Markets Management Committee	3 times	3 times
Senior Vice-Presidents (or equivalent)	2 times	2 times
Vice-Presidents (or equivalent)	1 time	1 time

- (1) The President and Chief Executive Officer must maintain the required shareholding multiple for at least one year after retirement. Thereafter, effective February 1, 2022, he shall maintain the require shareholding multiple for a period of at least two years after retirement.
- (2) Effective February 1, 2022, Other Executive Officers must maintain the required share ownership multiple for a period of at least one year after retirement.

Period for meeting the requirements

- Until January 31, 2022: Everyone has five years from the date of hire or promotion to meet these requirements.
- Since February 1, 2022: Everyone has five years from the date of hire or promotion, if not subject to the requirements, to meet these requirements. In case of promotion if already subject to the requirements, the period is now three years.
- All individuals must comply with the share ownership requirements at all times. If, for any reason, there is a gap, the individuals must refrain from selling their Common Shares of the Bank and from exercising their vested stock options (unless the Common Shares are kept) until such time as the minimum requirements are once again met.

Valuation method

- The minimum number of Common Shares that must be held is calculated by dividing the minimum holding amount by the price of the Bank’s Common Shares on the Toronto Stock Exchange.

COMPENSATION DECISION-MAKING

A rigorous process is used to determine the compensation of the President and Chief Executive Officer, Executive Officers, and Officers. The process includes the major steps described below.



1. Establish a competitive total compensation package

Determining the components of the compensation package

The Bank’s compensation package is made up of direct compensation components such as base salary and variable compensation programs as well as indirect compensation components such as employee benefits that promote the well-being of all employees and their families.

	Components (time horizon)	Why do we offer this component and method of payment?
Direct compensation	Base salary (ongoing)	<ul style="list-style-type: none"> – Rewards level of responsibility, expertise, competence, and experience – Paid in cash
	Short-term variable compensation (1 year)	<ul style="list-style-type: none"> – Rewards achievement of key annual financial and non-financial objectives – Paid in cash
	Mid-term variable compensation (3 years)	<ul style="list-style-type: none"> – Rewards the creation of sustainable value for Shareholders – Awarded in the form of PSUs or RSUs
	Long-term variable compensation (10 years or until termination/retirement)	<ul style="list-style-type: none"> – Rewards sustained long-term growth in Common Share price – Awarded in the form of stock options and DSUs
Indirect compensation	Employee benefits and perquisites (ongoing)	<ul style="list-style-type: none"> – Provides employees and their families with assistance and security – Completes the total compensation packaged offered to Executive Officers and Officers
	Pension plan (long-term)	<ul style="list-style-type: none"> – Encourages long-term retention of employees by rewarding their continued service and contributing to their retirement income

When programs are developed, the Compensation Risk Oversight Working Group and the Human Resources Committee ensure that they comply with the FSB Principles for Sound Compensation and their Implementation Standards. The Human Resources Committee reviews the results of stress tests on various program application scenarios and considers the impact of these scenarios on the Bank’s performance over different performance periods.

Establishing the compensation policy

The compensation policy for Executive Officers generally aims to position their target total compensation at the peer group median (the 50th percentile) when results meet expectations and to ensure competitive compensation aligned with the market while taking into account the experience of the incumbents in the position. Moreover, the target total compensation of the peer group is adjusted downward to reflect the Bank's specific characteristics, notably its relative size. The peer group used to establish the compensation value varies according to the Bank's business lines. For Executive Officers, the peer group for 2021 is equivalent to the one used in fiscal 2020. It consists of the following banks and financial institutions:

Selection criteria		Peer group
Head office location	Canada	<ul style="list-style-type: none"> – Bank of Montreal – Canadian Imperial Bank of Commerce – iA Financial Corporation Inc. – Manulife Financial Corporation – Power Corporation of Canada ⁽¹⁾ – Royal Bank of Canada – Sun Life Financial Inc. – The Bank of Nova Scotia – The Canada Life Assurance Company – The Toronto-Dominion Bank
Industry	Banks and other financial institutions	
Characteristics	<ul style="list-style-type: none"> – Serve a comparable clientele – Attract a similar employee profile – Have a large number of Shareholders 	

(1) Power Corporation of Canada now owns 100% of Power Financial Corporation and has replaced Power Financial Corporation as it no longer holds annual general meetings and no longer issues a management proxy circular.

The following table shows how the Bank ranks in relation to other Canadian banks and financial institutions in its peer group.

Members of the peer group	Revenues (M\$)	Net income attributable to common shareholders (M\$)	Net income/revenue ratio	Market capitalization (M\$)	Number of employees (thousands)
Bank of Montreal ⁽¹⁾	25,787	7,510	29%	87,090	43.9
Canadian Imperial Bank of Commerce ⁽¹⁾	20,015	6,271	31%	67,701	45.3
iA Financial Corporation Inc. ⁽²⁾	4,420	611	14%	5,908	7.7
Manulife Financial Corporation ⁽²⁾	23,673	5,700	24%	43,941	37.0
Power Corporation of Canada ⁽²⁾	16,129	1,994	12%	18,192	30.0
Royal Bank of Canada ⁽¹⁾	45,802	15,781	34%	183,507	85.3
Sun Life Financial Inc. ⁽²⁾	12,258	2,404	20%	33,117	42.1
The Bank of Nova Scotia ⁽¹⁾	31,252	9,391	30%	98,585	89.5
The Canada Life Assurance Company ⁽²⁾	12,096	2,943	24%	28,160	24.5
The Toronto-Dominion Bank ⁽¹⁾	39,986	14,049	35%	163,688	89.5
National Bank of Canada ⁽¹⁾	8,927	3,054	34%	34,622	26.9

(1) The information is as at October 31, 2021.

(2) The information is as at December 31, 2020.

Each year, the Human Resources Committee reviews the competitiveness of the target total direct compensation of Executive Officers. It examines the results of compensation studies prepared by an independent external consultant mandated for that purpose. It receives the recommendations of the President and Chief Executive Officer, the Audit Committee, and the Risk Management Committee for the compensation of Other Executive Officers and the heads of the oversight functions, and then conducts its own review in order to make its recommendations to the Board.

7. Executive Officer compensation

The Bank's compensation policy, which covers most other functions, also aims at positioning the target total direct compensation of employees at the peer group median (the 50th percentile) when results meet expectations. To achieve this, market studies produced by external consultants are used. The Bank's compensation policy also applies to its subsidiaries in Canada and abroad. However, it is aligned with market practices by offering compensation that may vary from one business line to another and accounts for significant pay disparities that may exist among the large regions or countries where the Bank provides its services.

Independent external consultants

The Human Resources Committee has the power to retain, when it deems appropriate, the services of independent external consultants to assist in performing its duties and provide it with necessary information on trends and best practices in its peer group regarding compensation policies and programs as well as on the competitiveness of Executive Officer compensation.

In keeping with sound governance practices, the Human Resources Committee sets guidelines for awarding mandates to external consultants. These guidelines notably require external consultants to be independent from Executive Officers. They also enable the Human Resources Committee to select those it considers the most qualified to carry out the mandates.

All contracts awarded for work related to Executive Officer compensation are approved by the Chair of the Human Resources Committee.

At the start of the fiscal year, the Human Resources Committee members also review the performance and independence of the external consultants and approve the planned mandates to be awarded by the Bank's management during the fiscal year. When their services are retained, external consultants are informed of these guidelines and must follow them.

Korn Ferry:

- has been advising the Human Resources Committee on Executive Officer compensation matters for many years;
- confirmed, this past fiscal year, that the target total direct compensation (base salary and variable compensation) of the positions held by Executive Officers and by the heads of the oversight functions is competitive with the compensation paid by companies in the Bank's peer group;
- adjusted the peer group data downward to reflect the Bank's relative size and differences in the level of responsibility associated with the Bank's positions compared to peer group positions;
- submitted to the Human Resources Committee the market positioning of Executive Officer compensation as well as market trends and developments in Officer compensation, organizational structure, governance, and regulation; and
- conducted compensation surveys, in which the Bank participates each year, on market practices and compensation levels for all positions.

The following table presents the fees paid to Korn Ferry in the past two fiscal years.

Independent external consultants	Fiscal 2021			Fiscal 2020		
	Executive Officer compensation – Related fees	Other fees ⁽¹⁾	Total	Executive Officer compensation – Related fees	Other fees ⁽²⁾	Total
Korn Ferry	\$152,227 77%	\$44,369 23%	\$196,596 100%	\$170,513 50%	\$167,707 50%	\$338,220 100%

(1) Total costs related to the Bank's participation in compensation surveys for employees who are not Officers (2021).

(2) Total costs related to the Bank's participation in compensation surveys for employees who are not Officers (2020) and for recruiting services.

2. Setting objectives and assessing performance

To ensure the best possible customer and employee experience, the Bank is constantly fine-tuning its performance management approach in order to further strengthen synergy across business lines, improve team performance, and facilitate learning and skills development. The annual objectives of the President and Chief Executive Officer are examined by the Human Resources Committee and approved by the Board at the beginning of each year, in line with the Bank's Board-approved business plan. The approved objectives for the President and Chief Executive Officer apply to all Executive Officers and all Officers who share a single scorecard with common objectives. These objectives support the financial and non-financial indicators used to balance the interests of the Bank's various stakeholders: Shareholders, employees, clients, and the community.

The new SYNERGY – Executives compensation program aims to promote alignment and collaboration on the achievement of the Bank's One Mission, including support for sustainable development, to optimize variable compensation, to recognize excellence, and to intensify the rigour in cost management.

All employees, including Officers, are subject to an evaluation whereby Bank-preferred behaviours and annual objectives each represent 50% of annual performance. When assessing the performance of the President and Chief Executive Officer and Other Executive Officers, the Board makes sure to consider all the fundamental pillars on which the Bank's social strategy is built.

Integral to the One Mission is support for sustainable development. We incorporate environmental, social, and governance matters into our business and operating decisions.

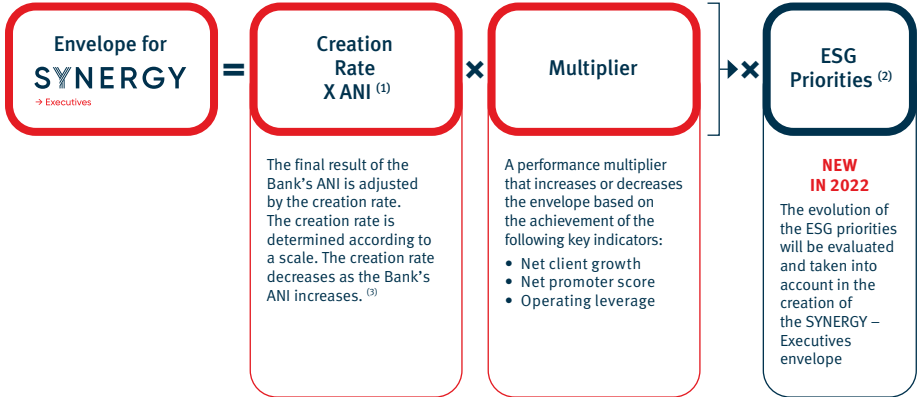
The Bank is committed to having a positive impact in people's lives. Our principles, which are approved by the Board, demonstrate the importance we place on sustainable development and on maintaining the best balance of stakeholder interests in society.

The Bank's Executive Officers are expected to be continually engaged in discussions with the Board, to keep it informed on the changes and the performance of their business units as well as the strategic initiatives they oversee.

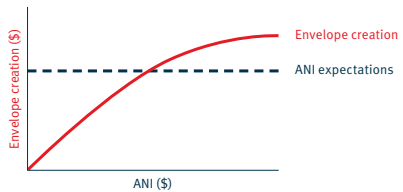
3. Granting total direct compensation

Formula for creating the SYNERGY – Executives envelope

The creation of the SYNERGY – Executives envelope, which includes base salary as well as short-, mid- and long-term variable compensation for Executive Officers and Officers, is subject to a discretionary review by the Board and is calculated based on the following parameters:



- (1) ANI is net income less dividends on preferred shares, distributions on other equity instruments, and the amount attributable to non-controlling interests.
- (2) ESG priorities are being introduced in the SYNERGY – Executives envelope starting in fiscal 2022. The Bank favours a progressive implementation of the measure in order to be able to refine it over time.
- (3) The envelope is created using the Bank's final ANI results multiplied by a creation rate. The illustration on the right shows the envelope creation curve. Above the ANI expectations, the additional portion of the envelope created grows more slowly than the ANI increases.



Individual awards are capped at 150% of the target total direct compensation established for each participant.

The initial SYNERGY – Executives envelope for 2021

At the beginning of fiscal 2021, the Board approved a SYNERGY – Executives envelope creation scale, the targets for each of the multiplier key indicators, the Bank's ANI growth projections, as well as Officers participating in the program.

The creation rate decreases as the ANI increases in order to drive efficiency and ensure a fair sharing ratio between Shareholders, Executive Officers, and Officers.

The SYNERGY – Executives envelope is reviewed annually by the Board considering, among other factors:

- ANI projections
- The Bank's relative performance
- The competitiveness of the compensation market
- Special events or transactions

The creation rate may not pay variable cash compensation in the event that the CET1 capital ratio threshold is not met.

2021 Available Net Income

The main factor used to create the compensation envelope is the ANI attributable to holders of Common Shares. The ANI is the net income less dividends on preferred shares, distributions on other equity instruments, and the amount attributable to non-controlling interests.

For fiscal 2021, the ANI used for compensation purposes was \$3,061 million (a 50% increase over last year). This ANI, along with other indicators, reflects the Bank's strong performance for fiscal 2021.

- Continued improvement in the economic environment was conducive to growth, as demonstrated by a sustained increase in net income (52.5%).
- The Bank's CET1 ratio (12.4%), ROE (20.7%), and diluted earnings per share (\$8.96 in 2021 versus \$5.70 in 2020) all increased year over year.
- The Bank again delivered industry-leading TSR, placing it in second place for the one-year period and in first place for the three-year, five-year, ten-year, and twenty-year periods.

In 2021, the Board exercised its discretion to exclude specified items from the final ANI result used for compensation purposes. These exclusions are consistent with the historical treatment of specified items, based primarily on the fact that they are beyond the control of Officers.

The Bank reported available net income attributable to Holders of Common Shares of \$3,054 million for fiscal 2021. However, for the purposes of the SYNERGY – Executives Program, the Board approved the Human Resources Committee recommendation to exclude, as in past years for the annual bonus program, all specified items, which resulted in a \$7 million, net of tax, upward adjustment to net income. The specified items that are beyond the control of Officers are mainly impairment losses of capital assets. As a result, the final available net income attributable to Holders of Common Shares used for compensation purposes was \$3,061 million.

The Bank's 2021 ANI growth percentage, as adjusted by the creation rate determined according to a scale, resulted in a SYNERGY – Executives envelope creation for 2021. The scale is not reported as the Bank considers this information to be sensitive.

The 2021 multiplier

The multiplier is composed of a set of three key performance indicators aligned with the Bank's One Mission scorecard and is consistent with the key compensation metrics used in many of the Bank's variable compensation programs. The multiplier can influence the amount of the SYNERGY – Executives envelope by a result that can vary between 90% and 110%.

2021 Multiplier						
Indicator	Threshold	Target	Maximum	Result	Weighting	Weighted Result
Net client growth ⁽¹⁾ Measure that seeks to recognize both the acquisition of new clients and the retention and engagement of existing clients	90.0%	100.0%	110.0%	>110.0%	33⅓%	36.7%
Net promoter score ⁽¹⁾ Measure of client loyalty	90.0%	100.0%	110.0%	102.5%	33⅓%	34.2%
Operating leverage Measure of operational efficiency	-4.4%	-1.4%	1.6%	1.2% (108.7%)	33⅓%	36.2%
2021 Multiplier						107.1%

(1) Not reported as the Bank considers this information to be commercially sensitive.

The overachievement of customer experience metrics was driven by the enhanced functionality of the transactional platform and mobile application, the strengthening of our proactive advisory capabilities, the enhancement of our conversational customer ecosystem, and the continued transformation of the branch experience.

Final SYNERGY – Executives envelope

Given the performance reached in 2021, the Board approved the 2021 multiplier of 107.1%, resulting in a final SYNERGY – Executives envelope creation above the total direct compensation envelope expected if the Bank had met its growth targets. As a reminder, the 2020 envelope was the lowest envelope in over a decade and was similar to the 2019 envelope. The envelope created in 2021 allows the Bank to recognize the Officers at the same level as the majority of the other compensation programs at the Bank and allows a seamless transition with the previous compensation programs offered to the Officers.

Board adjustments

The Board has discretionary power to adjust the SYNERGY – Executives envelope upward or downward as it deems necessary. Such adjustments could be necessary if the result of the SYNERGY – Executives formula did not reflect all relevant factors, such as performance, risks, or any unforeseen situation that occurred during the year.

The Board considered additional factors to determine if a discretionary adjustment to the SYNERGY – Executives envelope should be recommended for Board approval:

- Outcome of the annual risk review, in collaboration with the Risk Management Committee
- Financial and non-financial absolute and relative performance
- Compliance with the CET1 capital ratio and ANI thresholds
- Officer scorecard results, including employee engagement and ESG priorities
- Analysis, feedback, and recommended adjustments from Executive Officers

Adjusting annual variable compensation envelope, including the SYNERGY – Executives, as necessary

The Bank is always striving to more closely align the potential impact of all types of risks with the compensation of Executive Officers, Officers, and material risk-takers from all other segments of the Bank, as required by the FSB and OSFI. The Bank provides the Human Resources Committee with discretionary power to adjust, as it deems necessary, annual variable compensation envelopes including the SYNERGY – Executives envelope, downward or upward. To avoid decisions based essentially on judgment, the Compensation Risk Oversight Working Group uses a scoring grid, jointly developed by the Internal Audit, Risk Management, and Compliance segments, that flags the main potential sources of significant risk, both internal (related to decision-making) and external (related to business conditions). The assessment considers credit risk, market risk, liquidity and funding risk, operational risk, regulatory non-compliance risk, reputational risk, strategic risk, and environmental and social risk. In addition, a mechanism provides for referring to the Basel III Accord guidelines to reduce the size of annual bonus envelopes if the Bank does not meet the minimum regulatory capital required by regulatory authorities. These guidelines dictate the elements to be reduced (share redemptions, dividends, and annual bonuses) and the weighting of such reductions. The mechanism applies to all short-term variable compensation programs and to the programs offered to Executive Officers, Officers, and all other employees of the Bank and its subsidiaries.

No adjustments were made for Executive Officers as a result of the Board's use of its discretionary authority.

Assessing performance and approving awards

Following the creation of the SYNERGY – Executive envelope, the final step in the award process consists of an individual and business line performance evaluation against the scorecard set out at the beginning of the fiscal year for Executive Officers and Officers. After considering the recommendations made by the Human Resources Committee and the President and Chief Executive Officer for the Other Named Executive Officers, the Board approves the short-, mid- and long-term variable compensation awards. The fiscal 2021 awards and total direct compensation approved for each Named Executive Officer are presented on [pages 100 to 108](#) of the Circular.

COMPENSATION OF NAMED EXECUTIVE OFFICERS

This section presents information on the total direct compensation awarded to Named Executive Officers for the fiscal year ended October 31, 2021.

Named Executive Officers	
Louis Vachon President and Chief Executive Officer ⁽¹⁾	
Ghislain Parent Chief Financial Officer and Executive Vice-President – Finance	
Laurent Ferreira Chief Operating Officer ⁽¹⁾	
Denis Girouard Executive Vice-President – Financial Markets	
Martin Gagnon Co-President and Co-Chief Executive Officer of National Bank Financial, Executive Vice-President – Wealth Management	

(1) Louis Vachon retired on October 31, 2021. Laurent Ferreira succeeded him as President and Chief Executive Officer as of November 1, 2021.

Components of total direct compensation

Although they are funded from the calculated SYNERGY – Executives envelope, base salaries of Officers are not at risk. The remainder of the calculated envelope is at risk and is allocated in the form of short-, mid- and long-term variable compensation based on the Bank's performance, individual performance in the case of variable cash compensation, the contribution to the Bank's future success for deferred compensation, and the following guidelines.

The composition of the target total compensation and the composition of the variable compensation that is pre-determined according to the level of position held are presented below:

TARGET TOTAL DIRECT Compensation					
	FIXED Compensation (base salary)	VARIABLE Compensation			
		CASH Compensation (annual bonus)	DEFERRED Compensation		
				PSUs and/or RSUs	Stock options and/or DSUs
President and Chief Executive Officer	14%	86%	25%	75%	67% in PSUs 33% in Stock Options ⁽¹⁾
Chief Operating Officer	10%	90%	25%	75%	67% in PSUs 33% in Stock Options ⁽¹⁾
Other Named Executive Officers	7% to 20%	80% to 93%	40%	60%	When the deferred compensation exceeds \$1.5 million, the excess amount is granted in the form of RSUs

(1) Executive Officers and Officers may elect to receive up to 30% of their long-term compensation in the form of DSUs.

7. Executive Officer compensation

The Bank's allocation guidelines ensure that:

- Variable compensation is fully at risk and fluctuates based on the creation of the SYNERGY – Executives envelope.
- Individual awards are capped at 150% of target total direct compensation.
- At least 60% of variable compensation is deferred over a three-year period for PSUs and RSUs, up to 10 years for stock options, and up to retirement or termination of employment for DSUs.
- PSUs remain the main currency for the target deferred compensation of Named Executive Officers.
- In 2021, 86% of Louis Vachon's target compensation was at risk, and a minimum of 80% of the paid compensation of the Other Named Executive Officers was at risk.

Total direct compensation

Under the SYNERGY – Executives approach, total direct compensation is discretionary; variable compensation is allocated to Officers based on the Bank's performance and variable cash compensation is based on individual performance. Base salary is fixed. All other compensation components are variable: short-term variable compensation payable in cash, mid-term variable compensation granted in the form of PSUs or RSUs, and long-term variable compensation granted in the form of stock options or DSUs. In accordance with the Bank's compensation policies, the purpose of total direct compensation is to recognize annual financial performance and client satisfaction. It considers the prudence demonstrated in risk management as well as the achievement of the Officer scorecard objectives which include employee engagement and ESG objectives. SYNERGY – Executives aims to continue to increase complicity between teams, support concerted decision-making, optimize the use of all compensation components, recognize excellence, and increase the rigour in cost management.

The total direct compensation is awarded based on:

- the Bank's final ANI result adjusted by the creation rate. The creation rate is determined according to a scale. The creation rate decreases as the Bank's ANI increases;
- position level according to established guidelines;
- individual results attained; and
- compliance with the Bank's risk appetite in achieving results.

The Compensation Risk Oversight Working Group reviews the levels of the various risks incurred during the year and may recommend to the HRC and then to the Board, if necessary, to adjust the SYNERGY – Executives envelope downward.

The Board has discretionary power to adjust the SYNERGY – Executives envelope, and consequently the variable compensation, downward or upward, when it deems appropriate. Such adjustments could be necessary if the result of the SYNERGY – Executives formula does not reflect all relevant elements, such as performance, risks, or any unforeseen situation arising during the year.

In 2021, the Board exercised its discretion to adjust the ANI to exclude specified items. These exclusions are consistent with the historical treatment of specified items, based primarily on the fact that they are beyond the control of Officers.

Fixed compensation – base salary

In accordance with the objectives of the compensation policy, the purpose of base salary is to reward contribution. It allows the Bank to ensure that its compensation is competitive relative to that offered by the Bank's peer group. It also recognizes the level of responsibility, expertise, competence, and experience.

Variable compensation

Variable compensation is total direct compensation minus base salary.

Variable compensation consists of two parts:

- Variable compensation paid in cash based on the available SYNERGY – Executives envelope and individual performance
- Discretionary deferred compensation as a retention incentive granted in the form of PSUs, RSUs, stock options, and DSUs

Clawback of variable compensation

In accordance with the variable compensation clawback policy, payments made to employees subject to the policy may be clawed back in certain circumstances.

Variable cash compensation

Objectives

For Executive Officers and Officers, variable cash compensation (annual bonus) is designed to:

- Strengthen the value of cooperation among all segments
- Encourage Officers to:
 - generate sustained and growing earnings, year after year
 - accelerate the organizational transformation
 - improve client satisfaction
 - meet the Officer scorecard objectives, which include employee engagement and ESG objectives
- Share part of the Bank's success with Executive Officers and Officers and recognize those whose performance exceeds expectations

Grant

Variable cash compensation awards are subject to the attainment of a CET1 ratio threshold. Given that the threshold was exceeded in fiscal 2021, the Board approved the allocation of the short-term variable compensation under the SYNERGY – Executives envelope and based on our established guidelines.

Deferred variable compensation

The purpose of deferred variable compensation is to align the vision and expectations of Executive Officers and Officers with those of Shareholders over mid- and long-term horizons. The award of deferred variable compensation is influenced by the Bank's performance and by the expected contribution of Executive Officers and the Officers to the future success of the Bank.

Mid-term deferred variable compensation

Mid-term deferred variable compensation is granted in the form of PSUs and RSUs, if applicable, i.e., when the deferred variable compensation of the Executive Officers, other than the President and Chief Executive Officer, exceeds \$1.5 million.

It aims to align the vision and expectations of Executive Officers and Officers with those of Shareholders over a three-year horizon.

Performance Share Units (PSUs) Restricted Share Units (RSUs)

PSUs	RSUs
Objectives	
The program is designed to tie a portion of compensation value to the future value of the Bank's Common Shares and to the Bank's performance relative to its peers.	The program is designed to tie a portion of the value of certain Officers' compensation to the future value of the Bank's Common Shares.
Financial indicators	
The financial indicators of the PSUs are growth in: <ul style="list-style-type: none"> • The price of the Bank's Common Shares; • The Bank's TSR compared to growth in the average TSR of the comparator group of Canadian banks ("relative TSR")⁽¹⁾ 	RSUs are based on growth in the price of the Bank's Common Shares.
Grant	
The value granted to each Executive Officer is based on the composition of predetermined compensation package. Ultimately, the HRC also has discretionary power over the value of annual awards. The number of PSUs granted is based on the average closing price of the Bank's shares over the ten days preceding the sixth business day in December, as published by the Toronto Stock Exchange. Additional PSUs are credited to the participant's account, in an amount proportional to the dividends paid on the Bank's Common Shares, during the period between award and payment.	For Executive Officers, with the exception of the President and Chief Executive Officer, when deferred compensation is above \$1.5 million, the excess is granted in the form of RSUs. The number of RSUs granted is based on the average closing price of the Bank's shares over the ten days preceding the sixth business day in December, as published by the Toronto Stock Exchange. Additional RSUs are credited to the participant's account, in an amount proportional to the dividends paid on the Bank's Common Shares, during the period between award and payment.

(1) Royal Bank of Canada, The Toronto-Dominion Bank, The Bank of Nova Scotia, Canadian Imperial Bank of Commerce, Bank of Montreal, Canadian Western Bank, and Laurentian Bank of Canada.

PSUs	RSUs								
Vesting and payment									
<p>The PSUs vest after three years.</p> <p>Upon vesting, the cash payment is equal to the number of PSUs vested, multiplied by the average closing price of the Bank's shares on the Toronto Stock Exchange for the ten days preceding the sixth business day in December, and then adjusted upward or downward depending on relative TSR.</p> <div style="border: 1px solid black; padding: 10px; margin: 10px 0;"> $\frac{\text{Bank's TSR growth index over three years}}{\text{Average TSR growth index of the comparator group composed of Canadian banks }^{(1)} \text{ over three year}}$ </div> <p>The adjustment to the payable value, based on the relative TSR, is established in a linear manner within the following limits:</p> <table border="1" style="margin: 10px 0;"> <thead> <tr> <th style="text-align: center;">Relative TSR result</th> <th style="text-align: center;">Adjustment range of payable value</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">≥ 1.25</td> <td style="text-align: center;">125%</td> </tr> <tr> <td style="text-align: center;">= 1.00</td> <td style="text-align: center;">100%</td> </tr> <tr> <td style="text-align: center;">≤ 0.75</td> <td style="text-align: center;">75%</td> </tr> </tbody> </table> <p>The Board has discretionary power to adjust the cash value downward to as low as \$0 if it considers that a significant event has occurred during the performance period that had an impact on the financial performance of the Bank or its peers.</p>	Relative TSR result	Adjustment range of payable value	≥ 1.25	125%	= 1.00	100%	≤ 0.75	75%	<p>There are two possible types of vesting for RSUs: Full vesting after three years and vesting in equal portions spread over three years.</p> <p>At vesting, the cash payment is equal to the number of RSUs vested, multiplied by the average closing price of the Bank's shares on the Toronto Stock Exchange for the ten days preceding the sixth business day in December.</p>
Relative TSR result	Adjustment range of payable value								
≥ 1.25	125%								
= 1.00	100%								
≤ 0.75	75%								

Payment of PSUs granted in 2018

For the PSUs granted in 2018 to Executive Officers that vested in 2021, the relative TSR was higher than that of the banks included in the comparator group. Consequently, a payment with a performance factor of 125% was awarded to participants.

For information on the treatment of PSUs and RSUs according to reason of departure, refer to the table entitled "Conditions applicable in the event of the termination of employment" on [page 119](#).

(1) Royal Bank of Canada, The Toronto-Dominion Bank, The Bank of Nova Scotia, Canadian Imperial Bank of Commerce, Bank of Montreal, Canadian Western Bank, and Laurentian Bank of Canada.

Long-term deferred variable compensation

The purpose of long-term deferred variable compensation is to align the vision and expectations of Executive Officers and Officers with those of Shareholders over a long-term horizon, i.e., ten years for stock options and up to retirement or termination of employment for DSUs.

Executive Officers and Officers may elect to receive up to 30% of their long-term compensation in the form of DSUs.

Stock options

Deferred Share Units (DSUs)

Stock options	DSUs
Objectives	
<p>The program is designed to retain eligible Executive Officers and Officers and to encourage them to contribute to the Bank's success and to work towards growing the value of the investment of Shareholders.</p> <p>Each stock option entitles the participant to purchase one Common Share at a price equal to the closing price of the Bank's Common Shares on the Toronto Stock Exchange on the day preceding the grant.</p> <p>The price of stock options already granted cannot be lowered, under any circumstances, despite changes in the price of the Bank's Common Shares, so that Executive Officers and Officers can only benefit from the stock options granted to them to the extent that the Bank's Common Share price increases steadily over the long term.</p>	<p>The program is designed to tie a portion of the value of the compensation of certain Officers to the future value of the Bank's Common Shares.</p>
Financial indicators	
<p>Stock options are based on growth in the price of the Bank's Common Shares.</p>	<p>DSUs are based on growth in the price of the Bank's Common Shares.</p>
Grant	
<p>The number of stock options granted is based on:</p> <div data-bbox="62 1082 491 1161" style="border: 1px solid black; padding: 5px; margin: 10px auto; width: fit-content;"> $\frac{\text{the dollar value of the grant}}{\text{the value determined using the Black-Scholes model}}$ </div> <p>Since the Stock Option Plan was adopted, the Bank has made only one grant per fiscal year, on a specific date (in December), regardless of any hire or appointment of Executive Officers and Officers during the fiscal year. This annual grant date has never been amended retroactively.</p> <p>Each year, when granting stock options, the Human Resources Committee considers the number and term of previously granted stock options.</p>	<p>The number of DSUs granted is based on:</p> <div data-bbox="520 1082 948 1203" style="border: 1px solid black; padding: 5px; margin: 10px auto; width: fit-content;"> $\frac{\text{the dollar value of the grant}}{\text{the closing price of the Bank's Common Shares on the Toronto Stock Exchange on the day preceding the grant}}$ </div> <p>Additional DSUs are credited to the account of the participant, in an amount proportional to the dividends paid on the Common Shares, during the period between award and payment.</p>

7. Executive Officer compensation

Stock options	DSUs
Vesting and payment	
<p>Stock options vest over a four-year period at a rate of 25% per year. No stock options may be exercised in the first year after the grant date. Vested stock options may be exercised:</p> <ul style="list-style-type: none"> • only during quarterly transaction periods, as established by the Bank’s Legal Affairs Department, following the release of the financial statements • only by a participant or their estate (stock options may not be sold to a third party, but ownership may be transferred to a beneficiary or to a legal representative in the event of the participant’s death) • in whole or in part before the expiration date set by the HRC at the time the stock options are granted; however, where the expiration date falls within or immediately after a blackout period, the expiration date of the stock options is deferred, as applicable, (i) by ten business days if the expiration date falls during the blackout period or (ii) by a number of business days equal to ten business days less the number of business days elapsed between the end of the blackout period and the expiration date if such date falls no later than ten business days after the end of the blackout period <p>Each Executive Officer must keep, at all times after the exercise of stock options, Common Shares of the Bank with a value equal to the gain resulting from the exercise of vested stock options, until the share ownership requirements applicable to that individual have been met.</p>	<p>DSUs vest over a four-year period at a rate of 25% per year.</p> <p>DSUs may be redeemed only upon the termination of employment or retirement of the Executive Officer or Officer.</p> <p>A participant may redeem vested DSUs by filing redemption notices during a fixed period after the termination of employment.</p>

For information on the treatment of stock options and DSUs according to reason of departure, please refer to the table entitled “Conditions Applicable in the Event of the Termination of Employment” on [page 119](#).

7. Executive Officer compensation



LOUIS VACHON
President and Chief Executive Officer (until October 31, 2021)

Louis Vachon has been President and Chief Executive Officer of the Bank since June 2007. He is responsible for the strategies, direction, and development of the Bank and its subsidiaries. He is supported by the Executive Officers who, with him, make up the Office of the President. Louis Vachon retired on October 31, 2021. Laurent Ferreira succeeded him as President and Chief Executive Officer on November 1, 2021.

2021 performance indicators and results

To assess Louis Vachon's 2021 performance, the HRC examined the results obtained against the objectives set out in the scorecard applicable to all Executive Officers and Officers and considered the Bank's short-, mid- and long-term results, risk management as well as the Bank's strategic, organizational, ESG, and operational priorities. Under Louis Vachon's leadership, 2021 will have been a year of transition. The Bank delivered outstanding financial performance in 2021, reflective of the strategic choices we have made, the strength and adaptability of our franchise, and our earnings diversification.

The following table shows the key results examined as part of Louis Vachon's evaluation:

Pillar of social responsibility	Result obtained	Achievements
Shareholders		
Revenue growth of at least 5% (excluding specified items)	11.0%	In 2021, the Bank delivered excellent growth in revenue and income before provisions for credit losses and income taxes compared to last year, driven by continued momentum in all our businesses. It generated strong organic growth and industry-leading return on equity while maintaining strong capital levels and prudent allowances for credit losses. The Bank's sustained performance helped generate net income excluding specified items of \$3.2 billion in 2021, up 43.7% year over year.
Net earnings per share growth of at least 5% (excluding specified items)	48.2%	In 2021, the Bank met the following medium-term objectives:
Return on equity of over 15% (excluding specified items)	20.8%	<ul style="list-style-type: none"> Year-over-year growth in diluted earnings per share excluding specified items stood at 48.2%, significantly surpassing the objective, and was due to lower provisions for credit losses in fiscal 2021 arising from improvement in the macroeconomic outlook and in credit conditions compared to fiscal 2020, as well as to revenue growth across all business segments.
Efficiency ratio at 54.1% (taxable equivalent basis and excluding specified items)	53.1%	<ul style="list-style-type: none"> Return on equity excluding specified items, at 20.8%, was slightly above target owing to a sharp rise in net income excluding specified items. The CET1 capital ratio and the leverage ratio, at 12.4% and 4.4%, respectively, were also above target.
CET1 capital ratio greater than 11.0%	12.4%	<ul style="list-style-type: none"> As for the dividend payout ratio excluding specified items, it was below the target distribution range given the OSFI-prescribed interruption to dividend increases, in effect since March 13, 2020, and given strong growth in net income. The Bank stood out for its TSR for the one-, three-, five-, ten-, and twenty-year periods respectively, i.e., 65.8%, 24.7%, 21.3%, 15.9%, and 15.8%.

7. Executive Officer compensation

Total direct compensation for 2021

In 2021, the compensation mix of Louis Vachon was changed as part of the introduction of the SYNERGY – Executives Program. In determining Louis Vachon's total direct compensation for fiscal 2021, the HRC considered not only the Bank's exceptional performance, but also the leadership that Louis Vachon demonstrated by implementing the One Mission and the ongoing organizational transformation as well as in his ability to motivate employees to build a high-performance, change-capable organization.

Based on the Bank's performance and Louis Vachon's individual performance, his total direct compensation was set at \$9,686,276, as recommended by the HRC and approved by the Board:

TOTAL DIRECT Compensation						
	FIXED Compensation (base salary)	VARIABLE Compensation		DEFERRED Compensation		
			CASH Compensation (annual bonus)		PSUs	Stock options
2021	14%	86%	25%	75%		
	\$9,686,276	\$1,125,015	\$8,561,261	\$2,140,313	\$6,420,948	\$4,302,028
						\$2,118,920
2020						
	\$7,419,410	\$1,125,015	\$6,294,395	\$1,231,875	\$5,062,520	\$3,375,000
						\$1,687,520

Share ownership requirements

As at October 31, 2021, Louis Vachon was compliant with his share ownership requirements of seven times average base salary of the last three years. The following table shows Louis Vachon's shareholdings as at that date based on the closing price of the Bank's Common Shares on the Toronto Stock Exchange, i.e., \$102.46. In addition, he is required to meet share ownership requirements for a period of one year following his retirement, until October 31, 2022.

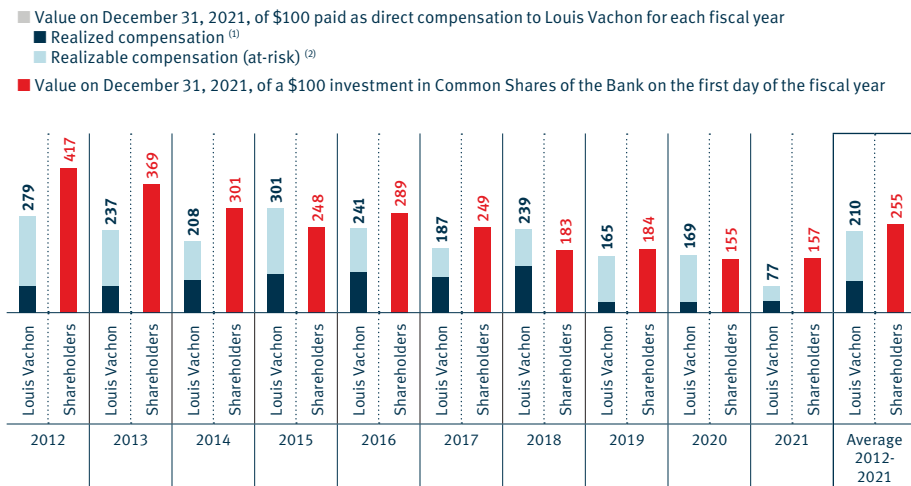
Total shares	PSUs	Appreciation in value of vested stock options	RSUs	DSUs	Total value	Actual multiple
\$30,633,833	\$16,614,867	\$96,422,082	\$0	\$0	\$143,670,782	127.7 times

7. Executive Officer compensation

Link between performance and compensation for the President and Chief Executive Officer

A significant portion of the President and Chief Executive Officer's direct compensation is conditional on the Bank's financial and share price performance. The average actual value of every \$100 granted annually to Louis Vachon as President and Chief Executive Officer in the form of direct compensation over the past ten years stood at \$210 on December 31, 2021. By comparison, from a Shareholder's viewpoint, the average value of every \$100 invested on the first day of each fiscal year in the Bank's Common Shares over the same period was \$255. The Board is therefore satisfied that the Bank's compensation approach is conducive to long-term value creation for Shareholders.

The following chart shows the historical link between the direct compensation granted to the President and Chief Executive Officer and the Bank's TSR since 2012. For each fiscal year, we present the following:



The following table more precisely illustrates the direct compensation awarded to Louis Vachon for each fiscal year and the actual value of the direct compensation as at December 31, 2021.

Year	Value of direct total compensation at the time of the award (M\$)	Value of actual direct total compensation ⁽³⁾ as at December 31, 2021 (M\$)	Period	Value of \$100	
				Louis Vachon	Shareholders
2012	5.53	19.95	Oct. 31, 2011 – Dec. 31, 2021	279	417
2013	5.43	16.88	Oct. 31, 2012 – Dec. 31, 2021	237	369
2014	8.15	17.14	Oct. 31, 2013 – Dec. 31, 2021	208	301
2015	9.06	23.52	Oct. 31, 2014 – Dec. 31, 2021	301	248
2016	9.08	18.28	Oct. 31, 2015 – Dec. 31, 2021	241	289
2017	9.01	16.09	Oct. 31, 2016 – Dec. 31, 2021	187	249
2018	10.88	19.32	Oct. 31, 2017 – Dec. 31, 2021	239	183
2019	2.58	12.61	Oct. 31, 2018 – Dec. 31, 2021	165	184
2020	2.36	12.52	Oct. 31, 2019 – Dec. 31, 2021	169	155
2021	3.27	7.45	Oct. 31, 2020 – Dec. 31, 2021	77	157
			Average 2012 – 2021	210	255

(1) Represents realized compensation: the salary, the annual bonus paid, paid RSUs and PSUs and exercised stock options.

(2) Realizable compensation is the actual value of non-vested PSUs and unexercised stock options.

(3) Represents the amount of the realized and realizable compensation.

7. Executive Officer compensation


GHISLAIN PARENT
Chief Financial Officer and Executive Vice-President – Finance

Ghislain Parent has been the Chief Financial Officer and Executive Vice-President – Finance since 2011. He is responsible for all activities related to accounting, finance, strategic planning, sourcing, real estate, mergers and acquisitions, including capital management, taxation, investor relations, and financial governance. He is also responsible for the international business segment. Ghislain Parent is a Member of the Bank's Office of the President.

2021 achievements and highlights

Under the management and leadership of Ghislain Parent, the Bank delivered outstanding financial performance in 2021, achieving four of the five mid-term objectives, as well as the following strategic objectives:

- The Bank's net income totalled \$3,177 million for fiscal 2021, up from \$2,083 million in fiscal 2020.
- Growth in diluted earnings per share excluding specified items stood at 48.2%, up from -4.7% in 2020.
- The efficiency ratio continued to improve, reaching 53.1% in 2021 from 53.7% in 2020.
- As at October 31, 2021, the CET1 capital ratio, the Tier 1 capital ratio and the Total capital ratio stood above regulatory requirements at 12.4%, 15.0% and 15.9%, respectively.
- The dividend payout ratio did not meet the target range in 2021, given that, on March 13, 2020, OSFI indicated that it was expecting, among other things, all banks to cease any dividend increases or share buybacks due to COVID-19. On November 4, 2021, OSFI updated its capital distribution expectations by permitting financial institutions to raise regular dividends and, subject to OSFI approval, buy back shares.
- For the quarter ended October 31, 2021, the Bank's average liquidity coverage ratio was 154%, well above the 100% regulatory requirements and demonstrating the Bank's solid liquidity position.
- The U.S. Specialty Finance and International segment, led by Ghislain Parent, posted net income of \$552 million for the fiscal year ended October 31, 2021, compared to \$352 million in fiscal 2020. The segment's total revenues amounted to \$1,001 million, versus \$820 million in 2020, a 22% increase driven mainly by higher revenues at the ABA Bank subsidiary.
- The construction project for the Bank's new head office in Montreal, under Ghislain Parent's responsibility, is progressing according to expectations.
- The design and operation of internal controls over financial reporting and the corresponding disclosure procedures were reviewed for compliance with securities regulations and were considered satisfactory.
- ESG activities, which are coordinated at the Bank level by Ghislain Parent, are evolving according to our stakeholder expectations, including adherence to recognized agreements and frameworks such as the Carbon Accounting Financials Partnership and the UN Net-Zero Banking Alliance, and the integration of ESG priorities is being coordinated across business segments.

Total direct compensation for 2021

The compensation mix for Ghislain Parent was modified in connection with the introduction of the SYNERGY – Executives Program, and his target total direct compensation was adjusted in 2021.

Based on the Bank's exceptional performance and Ghislain Parent's individual performance, his total direct compensation was set at \$3,106,307 (of which a portion of the increase is attributable to a revision in target compensation⁽¹⁾), as recommended by the HRC and approved by the Board:

TOTAL DIRECT Compensation								
2021	FIXED Compensation (base salary)		VARIABLE Compensation		DEFERRED Compensation			
	20%	80%	CASH Compensation (annual bonus) 40%	60%	PSUs	RSUs	Stock options	DSUs ⁽²⁾
\$3,106,307	\$450,006	\$2,656,301	\$904,872	\$1,751,429	\$1,005,000	\$251,400	\$346,529	\$148,500
2020	\$2,047,081	\$450,006	\$1,597,075	\$427,050	\$1,170,025	\$720,000	\$0	\$315,025

(1) On March 13, 2020, OSFI indicated that it was expecting all banks to suspend any form of compensation increase for Named Executive Officers. With that action being lifted in 2021, the Bank made the 2020 forecasted adjustments to the target total direct compensation of certain Named Executive Officers.

(2) Ghislain Parent elected to receive 30% of his long-term compensation in the form of DSUs.

Share ownership requirements

As at October 31, 2021, Ghislain Parent was compliant with his share ownership requirements of four times the average base salary of the last three years. The following table shows Ghislain Parent's shareholdings as at that date based on the closing price of the Bank's Common Shares on the Toronto Stock Exchange, i.e., \$102.46.

Total shares	PSUs	Appreciation in value of vested stock options	RSUs	DSUs	Total value	Actual multiple
\$614,760	\$3,544,505	\$10,977,814	\$0	\$4,319,381	\$19,456,460	43.2 times

7. Executive Officer compensation



LAURENT FERREIRA
Chief Operating Officer (until October 31, 2021)
President and Chief Executive Officer (since November 1, 2021)

Laurent Ferreira succeeded Louis Vachon as President and Chief Executive Officer as of November 1, 2021. Laurent Ferreira had been appointed Chief Operating Officer on February 1, 2021. Laurent Ferreira and Denis Girouard had jointly served as Executive Vice-Presidents and Co-Heads – Financial Markets from November 1, 2018, to January 31, 2021. Laurent Ferreira is a Member of the Bank's Office of the President.

2021 achievements and highlights

As Chief Operating Officer, Laurent Ferreira continued to play an important role in the Bank's multi-year transformation and cultural evolution process, and he also led the development of our new three-year strategic plan, which notably includes ESG priorities. He provided strategic leadership in support of activities of the Personal and Commercial Banking, Wealth Management, and Financial Markets segments. He was also responsible for the Operations and Information Technology segments.

One of Laurent Ferreira's priorities in 2021 was to ensure a successful transition to the position of President and CEO. To that end, Laurent Ferreira met with many stakeholders, including investors, employees, and customers, to solidify existing relationships. As a member of the Board, he also familiarized himself with each of the Bank's committees and met with several regulatory authorities.

In terms of ESG, in 2021, Laurent Ferreira co-chaired a benefit event for environmental organization *Équiterre* i.e., *Circular Economy: Jobs of the Future*, and he encouraged the optimization of business travel by the Bank's employees by favouring virtual meetings such as video and teleconferences.

The highlights of the Financial Markets segment and the Wealth Management segment under the leadership of Denis Girouard and Martin Gagnon, respectively, are presented on the following pages.

The strategic priorities for the Personal and Commercial segment are to maintain volume growth, accelerate net client acquisition and the digital transformation, and improve customer experience and efficiency.

- In the Personal and Commercial segment, the fiscal 2021 net income totalled \$1,266 million compared to \$770 million in fiscal 2020, a 64% increase that was essentially due to the impacts of COVID-19 on macroeconomic factors, which had affected the provisions for credit losses recorded by the Bank in fiscal 2021 and fiscal 2020, and to a \$229 million increase in the segment's total revenues.
- In 2021, total Personal Banking revenues amounted to \$2,228 million, up 4% from \$2,148 million in 2020.
- In 2021, total Commercial Banking revenues increased 11% to \$1,458 million from \$1,309 million in 2020.
- The segment's efficiency ratio was 53.1% in fiscal 2021 versus 54.7% in fiscal 2020.
- Maintained the client acquisition strategy by ensuring our sustained presence in high-growth markets and among target clients.
- Deployed the SME Growth Fund to support businesses in their digital transformation and growth projects.
- Enhanced the capabilities of the transactional platform and the mobile app to deliver a simpler, safer, and more intuitive digital experience for all our clients.
- Simplified the transactional banking capabilities most frequently used by Personal and Commercial clients on our priority approaches by ensuring an integrated experience among the channels.

Total direct compensation for 2021

Laurent Ferreira's target total direct compensation was revised in connection with his appointment as Chief Operating Officer on February 1, 2021, and the compensation mix was modified for fiscal 2021 in connection with the introduction of the SYNERGY – Executives program. Laurent Ferreira's target total direct compensation was revised to \$7,700,000 upon his appointment as President and Chief Executive Officer on November 1, 2021.

Based on the Bank's exceptional performance and Laurent Ferreira's individual performance, his total direct compensation was set at \$8,618,408 (of which a portion is attributable to an increase in target compensation related to his appointments in 2021), as recommended by the HRC and approved by the Board:

TOTAL DIRECT Compensation							
2021	10%	VARIABLE Compensation			75%		
		90%	25%	DEFERRED Compensation		Stock options	
FIXED Compensation (base salary)	CASH Compensation (annual bonus)			PSUs	RSUs		
		\$8,618,408	\$598,373	\$8,020,035	\$1,836,250	\$6,183,785	\$1,457,250
2020							
\$5,744,390	\$450,006	\$5,294,384	\$2,117,750	\$3,176,634	\$967,500	\$1,759,125	\$450,009

Share ownership requirements

As at October 31, 2021, Laurent Ferreira was compliant with his share ownership requirements of four times the average base salary of the last three years. As President and Chief Executive Officer, the share ownership requirement will be eight times the last three years' average base salary. The following table presents the shareholdings of Laurent Ferreira at that date based on the closing price of the Bank's Common Shares on the Toronto Stock Exchange, i.e., \$102.46.

Total shares	PSUs	Appreciation in value of vested stock options	RSUs	DSUs	Total value	Actual multiple
\$4,754,144	\$4,762,929	\$6,642,378	\$6,762,223	\$0	\$22,921,674	35.3 times

7. Executive Officer compensation


DENIS GIROUARD
 Executive Vice-President – Financial Markets

Since February 1, 2021, Denis Girouard is solely responsible for the management of Financial Markets as Executive Vice-President. Laurent Ferreira and Denis Girouard jointly served as Executive Vice-Presidents and Co-Heads – Financial Markets from November 1, 2018, to January 31, 2021. He is a Member of the Bank's Office of the President.

2021 achievements and highlights

In 2021, the Financial Markets segment offered a complete suite of products and services to corporations, institutional clients, and public-sector entities. Whether providing comprehensive advisory services and research or capital markets products and services, the segment focuses on relationships with clients and their growth. Denis Girouard is also responsible for executing the mandate of the Bank's Transformation Office and is therefore in charge of the Bank's strategic initiatives portfolio, which focuses on driving efficiency, simplicity, innovation and cultural change throughout the organization.

The Financial Markets segment operates two main business units: Global Markets as well as Corporate and Investment Banking. Financial Markets is a Canadian leader in risk management solutions and structured products and is the largest market maker in exchange-traded funds in Canada by volume. Financial Markets provides corporate banking, advisory, and capital markets services. It offers loan origination and syndication to large corporations for project financing, merger and acquisition transactions, and corporate financing solutions.

- Net income totalled \$923 million for fiscal 2021, a 25% year-over-year increase arising from a decrease in provisions for credit losses and from growth in total revenues.
- Global market revenues declined 8% given decreases across all types of revenues, which had benefitted from a favourable context in fiscal 2020. The segment's corporate and investment banking revenues grew 24% year over year, mainly due to increases in revenues from capital markets activities, in revenues from merger and acquisition activities, and in banking services revenues.
- The segment's efficiency ratio was 41.0% in fiscal 2021 versus 39.5% in 2020.
- The Bank ranked number one again in government debt underwriting, sustaining a first-place ranking for the last seven years: inaugural joint lead on World Bank's (International Bank for Reconstruction and Development) \$1.5 billion sustainable development bond due January 14, 2026, and inaugural joint lead on the Province of Ontario's \$1.25 billion green bond due February 1, 2027.
- Led in quality and innovation in Canada by pioneering the launch of four Purpose Investments Inc. mutual funds that replicate strategies usually offered via structured notes. With over \$1.6 billion in assets under management, these funds are helping investors gain access to both income and growth strategies while diversifying their portfolios away from more traditional asset classes.
- Financial Markets expanded client coverage to increase its presence in advisory services by participating in significant mandates, namely, being financial co-advisor to New Look Vision Group Inc. on the acquisition of the company by a consortium of investors led by FFL Partners, LLC and Caisse de dépôt et placement du Québec for a total enterprise value of \$970 million, and exclusive financial advisor to Savaria Corporation on its acquisition of Handicare Group AB.
- The segment also leveraged its leadership in equity distribution to increase lead and co-lead positions.

The Transformation Office, led by Denis Girouard, coordinated strategic projects and initiatives and improved the orchestration and sequencing of their deployment to better support the Bank's transformation and place even more emphasis on client experience and employee experience.

Total direct compensation for 2021

The compensation mix for Denis Girouard was modified in connection with the introduction of the SYNERGY – Executives Program and his target total direct compensation was adjusted in 2021.

Based on the Bank's exceptional performance and Denis Girouard's individual performance, his total direct compensation was set at \$7,771,308, as recommended by the HRC and approved by the Board:

TOTAL DIRECT							
2021	FIXED		VARIABLE				
	Compensation (base salary)		Compensation				
			CASH		DEFERRED		
		Compensation (annual bonus)		Compensation			
				PSUs	RSUs	Stock options	
	7%	93%	40%	60%			
\$7,771,308	\$450,006	\$7,321,302	\$2,925,755	\$4,395,547	\$1,005,000	\$2,895,525	\$495,022
2020							
\$5,744,390	\$450,006	\$5,294,384	\$2,117,750	\$3,176,634	\$967,500	\$1,759,125	\$450,009

Share ownership requirements

As at October 31, 2021, Denis Girouard was compliant with his share ownership requirements of four times the average base salary of the last three years. The following table presents the shareholdings of Denis Girouard at that date based on the closing price of the Bank's Common Shares on the Toronto Stock Exchange, i.e., \$102.46.

Total shares	PSUs	Appreciation in value of vested stock options	RSUs	DSUs	Total value	Actual multiple
\$3,073,800	\$4,762,929	\$10,729,793	\$5,823,168	\$0	\$24,389,690	54.2 times

7. Executive Officer compensation


MARTIN GAGNON
Co-President and Co-Chief Executive Officer, National Bank Financial
and Executive Vice-President – Wealth Management

Martin Gagnon was appointed Co-President and Co-Chief Executive Officer of National Bank Financial Inc. and Executive Vice-President – Wealth Management in July 2016. In this capacity, he oversees all wealth management operations across the Bank, including full-service securities brokerage services, services for high and ultra-high net worth individuals, trust services, third-party clearing services, investment product manufacturing and distribution, and self-directed brokerage solutions. Martin Gagnon is a Member of the Bank's Office of the President.

2021 achievements and highlights

The Wealth Management segment, managed by Martin Gagnon, is the leading franchise in Quebec and is firmly established across Canada. It serves all market segments by emphasizing advisory services and close client relationships. It delivers a full range of wealth management products and solutions through a multi-channel distribution network and a differentiated business model. The Wealth Management segment also proposes services to independent advisors as well as to institutional clients.

In 2021, the Wealth Management segment delivered excellent performance:

- The segment's net income totalled \$655 million in fiscal 2021, up 22% from \$535 million⁽¹⁾ in fiscal 2020.
- The segment's total revenues amounted to \$2,169 million in fiscal 2021 compared to \$1,859 million⁽¹⁾ in fiscal 2020, a 17% increase.
- The 2021 efficiency ratio was 58.9%, an improvement of 1.6 percentage points from 60.5%⁽¹⁾ in 2020.
- As at October 31, 2021, assets under administration totalled \$768.7 billion, rising \$172.1 billion since October 31, 2020.
- The key strategic achievements of the Wealth Management segment are as follows:
 - Implemented a new \$0 commission rate for investors using the online brokerage platform.
 - Deployed a new hybrid model with the Personal and Commercial segment for smaller investors.
 - Implemented a client relationship management (CRM) solution that helps investment advisors provide clients with a highly personalized level of service.
 - Launched our first socially responsible exchange-traded investment funds.
 - Promoted a joint mission and an integrated client approach and focused on collaboration between employees of the Wealth Management segment and other segments of the Bank.

(1) For the fiscal year ended October 31, 2020, certain amounts have been reclassified from those previously presented.

Total direct compensation for 2021

The compensation mix for Martin Gagnon was modified in connection with the introduction of the SYNERGY – Executives Program, and his target total direct compensation was adjusted in 2021.

Based on the Bank's exceptional performance and Martin Gagnon's individual performance, his total direct compensation was set at \$4,487,534 (of which a portion is attributable to a revision in target compensation⁽¹⁾), as recommended by the HRC and approved by the Board:

TOTAL DIRECT Compensation									
2021	FIXED Compensation (base salary)	VARIABLE Compensation			DEFERRED Compensation	PSUs	RSUs	Stock options	DSUs ⁽²⁾
		CASH Compensation (annual bonus)							
\$4,487,534	\$511,105	\$3,976,429	\$1,502,000	\$2,474,429	\$1,005,000	\$974,400	\$346,529	\$148,500	
2020	\$2,746,959	\$475,015	\$2,271,944	\$728,175	\$1,543,769	\$1,068,750	\$0	\$332,519	\$142,500

(1) On March 13, 2020, OSFI indicated that it was expecting all banks to suspend any form of compensation increase for Named Executive Officers. With that action being lifted in 2021, the Bank made the 2020 forecasted adjustments to the target total direct compensation of certain Named Executive Officers.

(2) Martin Gagnon elected to receive 30% of his long-term compensation in the form of DSUs.

Share ownership requirements

As at October 31, 2021, Martin Gagnon was compliant with his share ownership requirements of four times the previous three years' average base salary. The following table shows Martin Gagnon's shareholdings as at that date based on the closing price of the Bank's Common Shares on the Toronto Stock Exchange, i.e., \$102.46.

Total shares	PSUs	Appreciation in value of vested stock options	RSUs	DSUs	Total value	Actual multiple
\$1,640,047	\$5,261,375	\$11,206,641	\$0	\$2,084,000	\$20,192,063	40.4 times

7. Executive Officer compensation

Summary of compensation of Named Executive Officers

The following table, prepared in accordance with Canadian securities legislation, details the total compensation awarded by the Bank to each Named Executive Officer over the past three fiscal years.

The increase in total direct compensation paid for all Named Executive Officers reflects an exceptional fiscal year characterized by overachievement of the budgeted net income. The compensation level in 2021 contrasts with that of 2020, when major disruptions in the global environment in which the Bank operated affected its financial results, essentially due to higher credit loss provisions resulting from a significant deterioration in the macroeconomic outlook caused by COVID-19, thereby impacting the variable compensation awarded to the Named Executive Officers in 2020.

Name and principal position	Year	Salary (\$)	Share-based awards (\$) ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	Option-based awards (\$) ⁽¹⁾⁽⁵⁾	Non-equity incentive plan compensation		Pension value (\$) ⁽⁷⁾	All other compensation (\$) ⁽⁸⁾	Total compensation (\$)
					Annual incentive plans (\$) ⁽⁶⁾	Long-term incentive plans (\$)			
Louis Vachon ⁽⁹⁾ President and Chief Executive Officer	2021	1,125,015	4,302,028	2,118,920	2,140,313	–	970,000	4,180	10,660,456
	2020	1,125,015	3,375,000	1,687,520	1,231,875	–	918,000	3,693	8,341,103
	2019	1,125,015	3,375,000	1,687,531	1,451,250	–	751,000	4,074	8,393,870
Ghislain Parent Chief Financial Officer and Executive Vice-President – Finance	2021	450,006	1,256,400	495,029	904,872	–	165,000	390	3,271,697
	2020	450,006	855,000	315,025	427,050	–	164,000	837	2,211,918
	2019	450,006	855,000	315,024	503,100	–	139,000	924	2,263,054
Laurent Ferreira ⁽⁹⁾⁽¹⁰⁾ Chief Operating Officer	2021	598,373	5,466,000	717,785	1,836,250	–	350,000	903	8,969,311
	2020	450,006	2,726,625	450,009	2,117,750	–	170,000	1,458	5,915,848
	2019	450,006	2,694,658	450,010	2,096,452	–	136,000	816	5,827,943
Denis Girouard ⁽⁹⁾ Executive Vice-President – Financial Markets	2021	450,006	3,900,525	495,022	2,925,755	–	253,000	621	8,024,929
	2020	450,006	2,726,625	450,009	2,117,750	–	251,000	1,334	5,996,724
	2019	450,006	2,694,658	450,010	2,096,452	–	213,000	1,631	5,905,758
Martin Gagnon Co-President and Co-Chief Executive Officer, National Bank Financial; Executive Vice-President – Wealth Management	2021	511,105	1,979,400	495,029	1,502,000	–	915,000	1,971	5,404,505
	2020	475,015	1,211,250	332,519	728,175	–	97,000	2,500	2,846,459
	2019	475,015	1,211,250	332,530	857,850	–	74,000	2,436	2,953,081

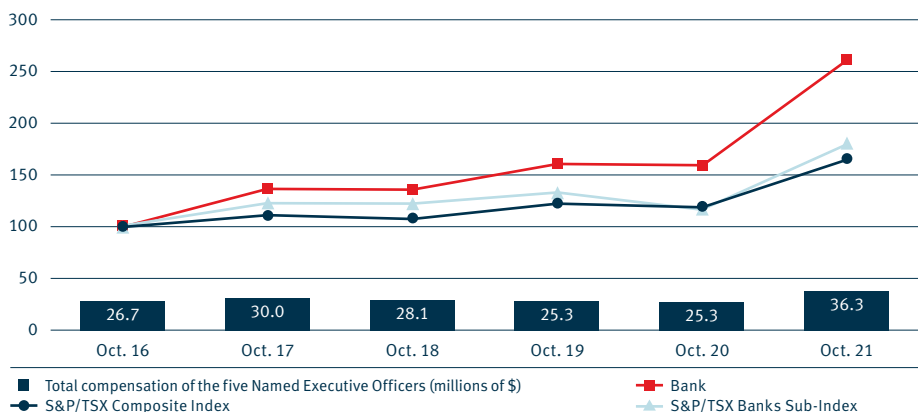
7. Executive Officer compensation

- (1) The share-based and stock-option based awards listed in the “[Summary of Compensation](#)” table represent the most recently approved awards.
- (2) The Named Executive Officers are eligible for mid-term share-based variable compensation. This compensation is paid in the form of PSUs. The value of each PSU granted on December 8, 2021, was determined based on an award price corresponding to the average stock market price for the ten trading days preceding the sixth business day of December, i.e., \$99.59. The fair value of the award is equal to the fair book value, amortized over a three-year period on a declining basis. PSUs awarded in December 2021 totalled 43,197 for Louis Vachon; 10,091 for Ghislain Parent, Denis Girouard, and Martin Gagnon; and 14,632 for Laurent Ferreira.
- (3) Ghislain Parent and Martin Gagnon elected to receive a portion, i.e., 30%, of their long-term variable compensation in the form of DSUs. The value of each DSU was determined based on the closing price of the Bank’s Common Shares on the Toronto Stock Exchange the last business day preceding the December 8, 2021, award date, i.e., \$96.35. The fair value of the award is equal to the fair book value, amortized over a four-year period on a declining basis. The number of DSUs awarded to Ghislain Parent and Martin Gagnon in December 2021 was 1,541.
- (4) The Named Executive Officers, with the exception of the President and Chief Executive Officer, are eligible for mid-term share-based variable compensation paid in the form of RSUs when the deferred compensation exceeds \$1,500,000. The value of each RSU granted on December 8, 2021 was determined based on the average stock market price for the ten trading days preceding the sixth business day of December, i.e., \$99.59. The fair value of the award is equal to the fair book value, amortized over a three-year period on a declining basis. The number of RSUs awarded in December 2021 was 2,524 to Ghislain Parent, 40,252 to Laurent Ferreira, 29,074 to Denis Girouard, and 9,784 to Martin Gagnon.
- (5) The Named Executive Officers are eligible for long-term variable compensation in the form of stock options. The value of the stock options awarded in 2021 was estimated at \$10.98, or 11.4% (representing the average estimated percentages from 2019 to 2021 according to the Black-Scholes model of the closing price of the Bank’s Common Shares on the Toronto Stock Exchange on the last business day preceding the grant date of December 8, 2021, i.e., \$96.35, and using a ten-year life assumption).

In addition, the assumptions used to determine the fair value award for compensation purposes differ from those used in the notes to the Bank’s financial statements. Under International Financial Reporting Standards, stock options must be treated as an expense in the financial statements. Accordingly, different assumptions are used to determine an appropriate Black-Scholes factor, in particular, an expected life of the stock option of seven years (instead of ten years), which reflects the exercise history of plan participants and the rate of cancellation due to departure. As a result, the carrying amount of a stock option awarded in December 2021 was determined at 13.74% of the share price (\$96.35), which is \$2.26 more per stock option than the value shown in the table.
- (6) The amounts in this column include the annual bonuses earned during each fiscal year ended October 31 and paid in cash.
- (7) Present value of the pension benefit vested during the fiscal year and any compensatory change during the fiscal year based on the assumptions used in the Bank’s annual report for each of those years. For more information, refer to the “[Defined Benefit Pension Plans](#)” table in this section of the Circular.
- (8) The amounts represent the value of perquisites on banking products and insurance premiums as well as contributions paid by the Bank into the Employee Share Ownership Plan (ESOP). Named Executive Officers are members of the ESOP on the same terms as all employees where the employer’s contribution is equal to 25% of the employee’s contribution, to a maximum of \$1,500 per year. The value of other taxable benefits is not shown as they total less than \$50,000 and 10% of each Named Executive Officer’s salary.
- (9) Louis Vachon retired on October 31, 2021. Laurent Ferreira succeeded him as President and Chief Executive Officer on November 1, 2021.
- (10) Prior to February 1, 2021, Laurent Ferreira and Denis Girouard co-led the Financial Markets segment.

Link between the Bank's TSR and Named Executive Officer compensation

The following performance graph shows the cumulative total return on a \$100 investment in Common Shares of the Bank on October 31, 2016 compared with the total cumulative return of the S&P/TSX Banks Sub-Index and the S&P/TSX Composite Index for the past five fiscal years, assuming dividends are fully reinvested at the market price on each dividend payment date.



Between 2016 and 2021, the annualized increase in compensation of Named Executive Officers is 6.3% compared to an annualized increase in TSR of nearly 21.2%.

Total cumulative return on a \$100 investment

	Oct. 2016	Oct. 2017	Oct. 2018	Oct. 2019	Oct. 2020	Oct. 2021
Bank	\$100.00	\$136.21	\$135.15	\$160.65	\$158.16	\$261.94
S&P/TSX Banks Sub-Index	\$100.00	\$123.03	\$121.69	\$134.17	\$115.97	\$180.35
S&P/TSX Composite Index	\$100.00	\$111.48	\$107.68	\$121.94	\$119.14	\$165.33

The preceding performance graph shows that the Bank's share generated a 261.94% total cumulative return between 2016 and 2021. The total return on the Bank's share far surpasses that of the S&P/TSX Banks Sub-Index and the S&P/TSX Composite Index.

Total compensation awarded to Named Executive Officers

	Oct. 2016	Oct. 2017	Oct. 2018	Oct. 2019	Oct. 2020	Oct. 2021
Total compensation of the five Named Executive Officers (M\$)	26.7	30.0	28.1	25.3	25.3	36.3
Total compensation ratio of the five Named Executive Officers for the ANI attributable to Shareholders used for compensation purposes	1.7%	1.6%	1.4%	1.2%	1.2%	1.2%

The bar chart shows the total compensation awarded to the Named Executive Officers in office at the end of each fiscal year. Although there have been some changes among Named Executive Officers since 2016, the year-to-year change in the value of total compensation came mainly from ICP-attainment levels (ranging from 73% to 143% between 2016 and 2020) and from the Bank's outstanding performance in 2021, as reflected in the new SYNERGY – Executives Program. The change in the total compensation ratio of the five Named Executive Officers compared to the ANI attributable to Holders of Common Shares was also due to the ICP-attainment level and the SYNERGY – Executives Program, as the primary financial measure used to calculate them is the ANI. Refer to [page 73](#) for more details on the mid-term objectives and the 2021 results.

7. Executive Officer compensation

Outstanding share-based and option-based awards

The following table summarizes, for each Named Executive Officer, all awards outstanding at the end of the fiscal year ended October 31, 2021.

Name	Award date	Option-based awards			Share-based awards			
		Number of securities underlying exercised options (1)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (1) (2)	Number of non-vested shares or share units (3)	Market or payout value of non-vested share-based awards (3) (4)	Market or payout value of vested share-based awards (unpaid or undistributed) (5)
Louis Vachon	Dec. 14, 2011	266,672	34.09	Dec. 14, 2021	18,233,698	–	–	–
	Dec. 12, 2012	248,296	38.36	Dec. 12, 2022	15,915,774	–	–	–
	Dec. 10, 2013	222,472	44.96	Dec. 10, 2023	12,793,252	–	–	–
	Dec. 10, 2014	185,240	47.93	Dec. 10, 2024	10,101,137	–	–	–
	Dec. 9, 2015	266,588	42.17	Dec. 9, 2025	16,072,591	–	–	–
	Dec. 12, 2016	220,304	54.69	Dec. 12, 2026	10,523,922	–	–	–
	Dec. 11, 2017	219,156	64.14	Dec. 11, 2027	8,398,058	–	–	–
	Dec. 11, 2018	224,104	58.79	Dec. 11, 2028	9,786,622	63,204	6,475,898	–
	Dec. 9, 2019	207,824	71.86	Dec. 9, 2029	6,359,414	51,062	5,231,840	–
	Dec. 8, 2020	222,628	71.55	Dec. 8, 2030	6,881,431	47,893	4,907,129	–
Total		2,283,284			115,065,899	162,159	16,614,867	
Ghislain Parent	Dec. 8, 2010	–	–	Dec. 8, 2020	–	–	–	822,379
	Dec. 14, 2011	–	34.09	Dec. 14, 2021	–	–	–	1,453,200
	Dec. 12, 2012	–	38.36	Dec. 12, 2022	–	–	–	465,087
	Dec. 10, 2013	11,152	44.96	Dec. 10, 2023	641,296	–	–	380,640
	Dec. 10, 2014	43,908	47.93	Dec. 10, 2024	2,394,303	–	–	–
	Dec. 9, 2015	63,192	42.17	Dec. 9, 2025	3,809,846	–	–	–
	Dec. 12, 2016	36,556	54.69	Dec. 12, 2026	1,746,280	–	–	273,705
	Dec. 11, 2017	40,912	64.14	Dec. 11, 2027	1,567,748	616	63,068	189,204
	Dec. 11, 2018	41,836	58.79	Dec. 11, 2028	1,826,978	14,775	1,513,863	132,338
	Dec. 9, 2019	38,796	71.86	Dec. 9, 2029	1,187,158	12,414	1,271,989	51,954
Dec. 8, 2020	41,560	71.55	Dec. 8, 2030	1,284,620	12,165	1,246,459	–	
Total		317,912			14,458,229	39,970	4,095,379	3,768,507
Laurent Ferreira	Dec. 10, 2013	22,248	44.96	Dec. 10, 2023	1,279,371	–	–	–
	Dec. 10, 2014	21,956	47.93	Dec. 10, 2024	1,197,261	–	–	–
	Dec. 9, 2015	19,748	42.17	Dec. 9, 2025	1,190,607	–	–	–
	Dec. 12, 2016	16,320	54.69	Dec. 12, 2026	779,606	–	–	–
	Dec. 11, 2017	16,236	64.14	Dec. 11, 2027	622,164	–	–	–
	Dec. 11, 2018	59,764	58.79	Dec. 11, 2028	2,609,894	41,733	4,276,011	–
	Dec. 9, 2019	55,420	71.86	Dec. 9, 2029	1,695,852	32,059	3,284,725	–
	Dec. 8, 2020	59,368	71.55	Dec. 8, 2030	1,835,065	38,692	3,964,415	–
Total		271,060			11,209,820	112,484	11,525,151	
Denis Girouard	Dec. 14, 2011	11,064	34.09	Dec. 14, 2021	756,501	–	–	–
	Dec. 12, 2012	19,864	38.36	Dec. 12, 2022	1,273,282	–	–	–
	Dec. 10, 2013	22,248	44.96	Dec. 10, 2023	1,279,371	–	–	–
	Dec. 10, 2014	21,956	47.93	Dec. 10, 2024	1,197,261	–	–	–
	Dec. 9, 2015	19,748	42.17	Dec. 9, 2025	1,190,607	–	–	–
	Dec. 12, 2016	34,000	54.69	Dec. 12, 2026	1,624,180	–	–	–
	Dec. 11, 2017	58,444	64.14	Dec. 11, 2027	2,239,574	–	–	–
	Dec. 11, 2018	59,764	58.79	Dec. 11, 2028	2,609,894	32,568	3,336,956	–
	Dec. 9, 2019	55,420	71.86	Dec. 9, 2029	1,695,852	32,059	3,284,725	–
	Dec. 8, 2020	59,368	71.55	Dec. 8, 2030	1,835,065	38,692	3,964,415	–
Total		361,876			15,701,587	103,319	10,586,096	
Martin Gagnon	Dec. 14, 2011	9,024	34.09	Dec. 14, 2021	617,016	–	–	–
	Dec. 12, 2012	28,398	38.36	Dec. 12, 2022	1,820,312	–	–	–
	Dec. 10, 2013	24,920	44.96	Dec. 10, 2023	1,433,025	–	–	304,512
	Dec. 10, 2014	26,896	47.93	Dec. 10, 2024	1,466,639	–	–	300,146
	Dec. 9, 2015	21,188	42.17	Dec. 9, 2025	1,277,425	–	–	178,595
	Dec. 12, 2016	43,408	54.69	Dec. 12, 2026	2,073,600	–	–	325,024
	Dec. 11, 2017	43,184	64.14	Dec. 11, 2027	1,654,811	650	66,572	199,715
	Dec. 11, 2018	44,160	58.79	Dec. 11, 2028	1,928,467	21,378	2,190,391	139,690
	Dec. 9, 2019	40,952	71.86	Dec. 9, 2029	1,253,131	17,775	1,821,271	54,841
	Dec. 8, 2020	43,868	71.55	Dec. 8, 2030	1,355,960	17,223	1,764,618	–
Total		325,998			14,880,386	57,026	5,842,852	1,502,523

(1) The value of unexercised in-the-money stock options at fiscal year-end is determined by calculating the difference between the closing price of the Common Shares of the Bank on the Toronto Stock Exchange as at October 31, 2021, i.e., \$102.46, and the exercise price of the stock options multiplied by the number of unexercised stock options.

(2) The market or payout value of share-based awards that have not vested is calculated by multiplying the number of share units by the closing price of the Bank's Common Shares on the Toronto Stock Exchange as at October 31, 2021, i.e., \$102.46.

Incentive plan awards – Value vested or earned during the year

The following table shows the value of awards vested or earned during the fiscal year ended October 31, 2021:

Name	Option-based awards – Value vested during the year (\$) ⁽¹⁾	Share-based awards – Value vested during the year (\$) ⁽²⁾	Non-equity incentive plan compensation – Value earned during the year (\$) ⁽³⁾
Louis Vachon	2,118,314	5,470,684	2,140,313
Ghislain Parent	375,738	1,439,335	904,872
Laurent Ferreira	299,623	3,977,236	1,836,250
Denis Girouard	458,173	4,214,835	2,925,755
Martin Gagnon	417,401	1,958,570	1,502,000

- (1) The amount represents the aggregate value that would have been realized had the stock options been exercised on the vesting date, calculated as the difference between the closing price of the Bank's Common Shares on the Toronto Stock Exchange and the exercise price. On the vesting date, the share price was \$71.94, while the exercise price of stock options ranged from \$54.69 to \$71.86.
- (2) The amount represents the value of the share units on the vesting date, based on the closing price of the Bank's Common Shares on the Toronto Stock Exchange on the vesting date for DSUs, or based on the average closing price of the Bank's Common Shares on the Toronto Stock Exchange for the ten days preceding the vesting date for RSUs and PSUs.
- (3) The amounts in this column include the annual bonuses earned during the fiscal year ended October 31, 2021 and paid in cash.

Additional information about the Stock Option Plan

In accordance with the special amendment procedure approved by the Holders of Common Shares on March 7, 2007, certain material amendments to the Stock Option Plan require Shareholder approval, while certain minor changes can be approved by the Board without having to obtain Shareholder approval. Subject to certain conditions, the Board may also amend some features of previously granted stock options.

- The Board may not make the following amendments to the Stock Option Plan without Shareholder approval:
 - an increase in the number of reserved shares
 - any downward revision of the exercise price or purchase price, or any cancellation of stock options in order to issue new stock options
 - any extension of the term of a stock option beyond its initial term
 - an amendment to the class of eligible participants that would allow for introduction or reintroduction, at the Board's discretion, of non-employee Directors of the Bank
 - an amendment allowing share-based payments granted under the Stock Option Plan to be transferable or assignable other than in connection with an estate settlement following a member's death
 - an amendment to the maximum amount issuable to insiders
- Subject to the foregoing, the Board may at any time decide to suspend or terminate the Stock Option Plan, in whole or in part, or amend it as the Board deems appropriate without having to obtain Shareholder approval.
- Subject to the other provisions of the Stock Option Plan, the Board shall be required to obtain the consent of the participants in the event that the amendment, suspension or termination of the Stock Option Plan affects the entitlements and responsibilities resulting from a stock option already granted to such members under the Stock Option Plan.
- Without limiting the scope of the foregoing, the Board may amend the Stock Option Plan for one or more of the following purposes, without having to obtain Shareholder approval:
 - to amend the eligibility criteria and the limits for participating in the Stock Option Plan
 - to amend the conditions and rules for granting, vesting, and exercising stock options.

7. Executive Officer compensation

- to make additions, amendments, or deletions to the Stock Option Plan in order to comply with the legislation governing the Stock Option Plan or with the requirements of a regulatory authority or stock exchange
 - to correct or rectify any ambiguity, incorrect stipulation, or omission in the text of the Stock Option Plan
 - to amend the provisions relating to the administration of the Stock Option Plan
 - to amend the reasons for cancelling stock options
- The Board may also amend the features of a stock option granted to a participant (including the exercise price, the exercise conditions, or the expiry date of a stock option) without having to obtain Shareholder approval, provided the following conditions are met:
 - the amendments do not have the effect of reducing the exercise price of a stock option or extending the expiry date of stock options already granted
 - the Board would have had prior authority to grant the amended stock option
 - the amendment does not materially prejudice the rights of the participants affected by such amendment

Information about equity-based compensation plans

- The number of Common Shares reserved for a participant may not exceed 5% of the total number of issued and outstanding Common Shares of the Bank.
- The total number of shares that can be issued to insiders (as defined by the CSA), at any time, under all share-based compensation arrangements of the Bank, including shares issuable upon the exercise of stock options granted under the Stock Option Plan, cannot exceed 10% of the total number of issued and outstanding Common Shares of the Bank.
- The total number of shares issued to insiders, in any one-year period, under all share-based compensation arrangements of the Bank, including shares issued upon the exercise of stock options granted under the Stock Option Plan, cannot exceed 10% of the total number of issued and outstanding Common Shares of the Bank.

The table below is presented pursuant to Canadian securities legislation requirements and shows the status of the Stock Option Plan as at October 31, 2021.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants or rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding the securities reflected in column (a)) (c)
Equity-based compensation plan approved by security holders	11,348,680	\$57.93	11,586,992
Number of securities divided by the number of shares outstanding as at October 31, 2021, i.e., 337,212,000	3.37%	–	3.44%

The following table shows the dilution, overhang, and burn rate of the Stock Option Plan over the past three years, in accordance with the requirements of Canadian securities legislation.

	2021	2020	2019
Dilution: Number of outstanding stock options divided by the weighted average number of outstanding shares during the applicable fiscal year, i.e., 337,212,000	3.37%	3.41%	3.61%
Overhang: Number of outstanding stock options plus the number of stock options remaining available for future issuance divided by the weighted average number of outstanding shares during the applicable fiscal year	6.80%	5.18%	5.87% ⁽¹⁾
Burn rate: Number of stock options granted during the fiscal year (2,043,196) divided by the weighted average number of outstanding shares during the applicable fiscal year	0.61%	0.53%	0.63%

(1) For fiscal 2019, the percentages have been adjusted compared to those presented in the 2020 Management Proxy Circular.

Pension plans for Named Executive Officers

All the Named Executive Officers of the Bank participate in a defined benefit pension plan and the PRAP. The provisions of these plans are described in the following table:

Plan definition	<ul style="list-style-type: none"> • The defined benefit pension plan is contributory and subject to legislation governing pension plans under federal jurisdiction • The PRAP aims to offset the impact of limits subject to the maximums prescribed under tax legislation with respect to pension benefits provided by a registered pension plan • A pension is payable under the registered pension plan up to the maximum pension prescribed by current legislation, while the PRAP provides for the supplemental pension benefit • The benefits accrued under the defined benefit pension plan and the PRAP form an integral part of the total compensation offered by the Bank • Changes to the pension plan and to the PRAP came into effect January 1, 2014 (see details below)
Features/reasons for payment	<ul style="list-style-type: none"> • Designed to encourage long-term retention of Executive Officers by rewarding their continued service at the Bank and by contributing to their retirement income
Normal retirement age	<ul style="list-style-type: none"> • For membership years prior to January 1, 2014: Age 60 • For membership years starting January 1, 2014: Age 65
Years of credited service	<ul style="list-style-type: none"> • Note that the following arrangements for Louis Vachon, President and Chief Executive Officer, were agreed upon as of August 1, 2006 and that he retired as of October 31, 2021: <ul style="list-style-type: none"> – Recognition of five years of credited service on August 1, 2006, and an accumulated pension credit of 4% of salary per year between August 1, 2006, and July 31, 2010; 2.5% of salary per year between August 1, 2010, and July 31, 2017; 2% of salary per year between August 1, 2017, and July 31, 2022; and in accordance with the provisions of the plans thereafter – These conditions for crediting years of service were approved by the Board, considering all of Louis Vachon’s years of service at the Bank and its subsidiaries where no pension plan was offered • For Other Executive Officers: <ul style="list-style-type: none"> – All Other Executive Officers accumulate 1.5 years of credited service per year of membership up to a maximum of five additional years
Pension formula	<ul style="list-style-type: none"> • For membership years prior to January 1, 2014: <ul style="list-style-type: none"> – 2% of average pensionable earnings for each year of credited service. As of age 60, the pension is reduced to take into account benefits payable under the Quebec Pension Plan or Canada Pension Plan • For membership years starting January 1, 2014: <ul style="list-style-type: none"> – 1.7% of the average pensionable earnings for each year of credited service
Pensionable earnings	<ul style="list-style-type: none"> • Average pensionable earnings consist of the average earnings for the 60 highest-paid consecutive months. Pensionable earnings include the base salary and the annual bonus, which is subject to limits that vary according to the level of the position • The following arrangement for Louis Vachon as President and Chief Executive Officer: <ul style="list-style-type: none"> – The eligible annual bonus is capped at 150% of base salary • Other Executive Officers: <ul style="list-style-type: none"> – The eligible annual bonus has been capped at 45% of base salary since January 1, 2017 – Average annual pensionable earnings are capped at \$1,000,000
Maximum pension for Louis Vachon as President and Chief Executive Officer	<ul style="list-style-type: none"> • The maximum annual pension payable is capped at \$1,500,000

7. Executive Officer compensation

Contributions of Executive Officers	<ul style="list-style-type: none"> • 9% of pensionable earnings, up to \$21,027 per year • Upon retirement, the accumulated amount exceeding the basic contributions is converted into a supplemental pension, subject to the limits imposed by in-force legislation
Reduction for early retirement applicable to Executive Officers	<ul style="list-style-type: none"> • Early retirement is permitted starting at age 55⁽¹⁾ • For membership years prior to January 1, 2014: <ul style="list-style-type: none"> – The applicable reduction for a plan member who has been a member of the pension plan for ten years or more is the lesser of: <ul style="list-style-type: none"> – 4% for each year prior to age 60; or – 2% for each point before the sum of the age and years of service reaches 90 points – The applicable reduction for a plan member who has been a member of the pension plan for less than ten years is determined on an actuarial equivalence basis • For membership years starting January 1, 2014: <ul style="list-style-type: none"> – The applicable reduction is 4% for each year prior to age 65

(1) Early retirement with reduced pension is permitted from age 50 for Executive Officers whose plan participation began prior to January 1, 2014 (reduction by actuarial equivalence between ages 50 and 55).

Governance practices on pension plan administration

The Bank's pension plans are subject to the governance of the Human Resources Committee, which acts as a trustee of the pension plans, and are managed in accordance with best market practices. The Human Resources Committee reviews the asset-liability management strategy, monitors the capitalization level, approves the investment policy, and approves any material changes deemed necessary to ensure plan continuity.

In 2001, the HRC, on a voluntary and proactive basis, set up a Retirement Committee made up of external members (including four independent members) as well as Officers of the Bank who are experts in finance, treasury, risk management and human resources. The Retirement Committee's role is to support the HRC in its role as trustee, notably by ensuring optimal asset management and control of inherent risks, by reviewing the financial statements, and by approving the actuarial valuations. The Retirement Committee reports to the HRC. The Retirement Committee members meet at least four times per year and regularly report to the HRC.

Furthermore, the Bank periodically communicates with pension plan members, particularly through the Pensions Committee, which is made up of Bank representatives as well as active and retired members. Presented at this Annual Meeting, among other information, are the findings of the actuarial valuations along with a performance review of the investment fund as well as the financial statements thereto.

The Bank fulfills its financial disclosure requirements by ensuring the integrity of the recorded information and compliance with accounting and disclosure standards to which it is subject. The financial statements undergo a rigorous audit by the Bank's independent auditor, appointed by the Retirement Committee at the beginning of the fiscal year. [Note 23](#) to the financial statements for the fiscal year ended October 31, 2021, shows that, from an accounting standpoint, the Bank's pension plans are in a surplus position.

The table on the following page details, for each Named Executive Officer, the years of credited service as at October 31, 2021, annual benefits payable, and changes in the accrued benefit obligation between October 31, 2020, and October 31, 2021, including compensatory and non-compensatory changes with respect to their membership in pension plans for fiscal 2021.

It should be noted that the amounts in the table on the following page are estimates based on assumptions and employment conditions that can vary over time. The method used to calculate these amounts may also differ from that used by another company, which could potentially render a comparison less relevant.

7. Executive Officer compensation

Defined benefit pension plans ^{(1) (2)}

Name	Years of credited services ^{(3) (4) (5)}	Annual benefits payable ^{(6) (7) (8)}		Accrued benefit obligation at start of the fiscal year ⁽⁹⁾	Compensatory change ^{(9) (10) (11)}	Non-compensatory change ^{(9) (10) (12)}	Accrued benefit obligation at the end of the fiscal year ⁽¹⁰⁾
		At fiscal year-end ⁽⁸⁾	At age 65 ⁽⁸⁾				
Louis Vachon	36.1	1,500,000 ⁽¹³⁾	1,500,000 ⁽¹³⁾	24,053,000	970,000	(1,465,000)	23,558,000
Ghislain Parent	16.2	175,000	274,000	2,551,000	165,000	(146,000)	2,570,000
Laurent Ferreira	23.1	93,000	246,000	1,352,000	350,000	(118,000)	1,584,000
Denis Girouard	10.5	92,000	110,000	1,421,000	253,000	(29,000)	1,645,000
Martin Gagnon	27.4	359,000	565,000	5,493,000	915,000	(319,000)	6,089,000

- (1) The amounts in the “Salary” column of the “Summary of Compensation of Named Executive Officers” table in this section of the Circular and annual bonuses paid are used to calculate average pensionable earnings. To this end, the eligible bonus is limited to 150% of Louis Vachon’s base salary. For the Other Executive Officers, the eligible bonus is capped at 45% of base salary, and average pensionable earnings are limited to the cap stated in Note 2 to this table.
- (2) Average pensionable earnings are capped at \$1,000,000 for Ghislain Parent, Laurent Ferreira, Denis Girouard, and Martin Gagnon.
- (3) Louis Vachon was granted five years of credited service on August 1, 2006. He earned a pension credit of 4% of salary for each year between August 1, 2006, and July 31, 2010, a credit of 2.5% of salary for each year between August 1, 2010, and July 31, 2017, and he will earn a credit of 2% of salary for each year between August 1, 2017, and July 31, 2022, and credits provided for under the provisions of the plan thereafter.
- (4) The years of credited service for Ghislain Parent, Laurent Ferreira, Denis Girouard, and Martin Gagnon are calculated according to the PRAP for eligible Executive Officers of the Bank, i.e., 1.5 years of credited service per year during the ten years following the date of designation by the Board. The designation dates are August 29, 2011, for Ghislain Parent; November 1, 2018, for Laurent Ferreira; June 1, 2016, for Denis Girouard; and July 1, 2016, for Martin Gagnon.
- (5) Laurent Ferreira’s membership years prior to November 1, 2018, are attributable to the employee pension plan of National Bank of Canada. After this date, membership years are recognized in the Bank’s pension plan for designated employees. Denis Girouard’s membership years prior to June 1, 2016, are attributable to the employee pension plan of National Bank of Canada. After this date, membership years are recognized in the Bank’s pension plan for designated employees.
- (6) The estimated pensions do not take into account the pension generated by additional contributions accumulated by the Named Executive Officer.
- (7) The pension is payable for life but reduced to reflect benefits payable under the Canada or Quebec Pension Plans for the years prior to 2014. Upon the member’s death, 60% of the pension is payable to the member’s spouse. If there is no spouse, part of the pension is payable to the dependent children.
- (8) The pension includes a revalorization (at neutral cost) between ages 60 and 65 for the pension granted for membership years accumulated prior to January 1, 2014, based on accounting assumptions. Pension revalorization after the normal retirement age was introduced on January 1, 2014, for all employees. It is calculated on an actuarial equivalence basis, which means that the actuarial value of the pension remains unchanged. This provision is necessary so as not to penalize employees who opt to retire after the normal retirement age.
- (9) The year-end pension is equal to the pension payable at the assumed retirement age, i.e., the age used to calculate the value of the obligation at fiscal year-end (age 61 for Louis Vachon, age 62 for Ghislain Parent and Martin Gagnon, age 63 for Laurent Ferreira, and age 64 for Denis Girouard), calculated proportionately to the number of years of credited service at fiscal year-end.
- (10) The accrued benefit obligation represents the present value of the pension benefit for years of credited service up to October 31, 2020, or October 31, 2021. These values were calculated using the same assumptions as those used for the Bank’s consolidated financial statements, notably a discount rate of 2.85% as at October 31, 2020, and 3.40% as at October 31, 2021. These calculations also take into account the 3.00% discount rate for current service as at October 31, 2020. The value of benefits payable related to the Named Executive Officer’s additional contributions is included in the calculation of the accrued benefit obligation.
- (11) The compensatory change includes the annual cost of retirement benefits and the impact of changes in base salary, the increase in maximum pensionable earnings following appointments, plan amendments, or grants of years of credited service.
- (12) The non-compensatory change includes the amounts attributable to interest accruing on the obligation at the beginning of the fiscal year, contributions paid by the Named Executive Officer, actuarial gains and losses other than those associated with compensation levels, and changes in actuarial assumptions.
- (13) Louis Vachon’s pension was capped at \$1,500,000.

Termination and change of control benefits

Termination of employment policy in the event of a change of control

The Bank's Termination of Employment Policy provides that the President and Chief Executive Officer and Other Executive Officers would receive severance in the event of a termination by the Bank following a change of control. The compensatory measures are applicable when both of the following events occur:

- "Change of control" of the Bank means any change in ownership of the Bank's shares following the acquisition of shares, a merger or a business combination resulting in an incorporated or unincorporated entity beneficially owning in excess of 50% of the voting shares of the Bank; and
- A dismissal without cause resulting from a Bank initiative during the two-year period following the change of control, or the resignation of an Executive Officer further to a significant reduction in compensation or responsibilities or a transfer to another organization, against their wishes, during the two-year period following the change of control.

This policy is not applicable to cases of voluntary resignation, termination of employment with cause, demotion or termination of employment based on unsatisfactory performance.

Pursuant to this policy, Executive Officers would be entitled to severance equal to their base salary and their average annual bonus for the previous three years (or the target annual bonus for Executive Officers in their respective positions for less than three years) for a period of 24 months, up to the normal retirement age.

No amendments were made to the Termination of Employment Policy in the event of a change of control in fiscal 2021.

Conditions applicable in the event of the termination of employment

The following table summarizes the conditions applicable to Named Executive Officers in the event of a termination due to a voluntary resignation, termination of employment with cause, termination of employment without cause (lay-off), change of control, or retirement.

Compensation component	Voluntary resignation	Termination of employment with cause	Termination of employment without cause (lay-off)	Change of control and termination of employment within two years	Retirement
Salary	Cessation		Severance pay upon termination in the form of a lump sum or salary continuance	Severance benefits ⁽¹⁾ paid for a period of 24 months until the normal retirement age	Cessation
Annual bonus in cash	Cancellation		Calculated on a <i>pro rata</i> basis of the number of months worked		
PSUs/RSUs ⁽²⁾	Cancellation		Vesting at the end of the period covered by the severance package or according to the established maturity dates, whichever comes first	Vesting at termination date and according to actual performance upon a change of control in the case of PSUs	Vesting according to the original time frame ⁽³⁾
Stock options	A 90-day period is granted to exercise vested stock options	Cancellation	A period is granted to exercise vested stock options during which vesting continues, if applicable. At the end of this period, vested but unexercised stock options and non-vested stock options are cancelled	Non-vested stock options vest immediately. A 12-month period is granted to exercise the stock options	Vesting of non-vested stock options and exercise of vested stock options according to the original time frame
DSUs	Vested DSUs are paid out and non-vested DSUs are cancelled		A period is granted for vested DSUs to be redeemed, during which time DSUs continue to vest, if applicable	Vesting at the termination date and a 12-month period is granted to redeem them	Vesting upon retirement and a delay is granted until December 1 of the calendar year following the year of retirement to redeem them
Employee benefits	Eligibility ends on voluntary resignation date or termination date				Retiree benefits apply according to the program in effect
Pension plan	At the termination date, the pension is paid at actuarial value or as a deferred benefit				Pension benefit paid monthly

- (1) Equivalent to the base salary and the average annual bonus of the last three years.
- (2) Voluntary resignation and termination of employment without cause: the deferred portion of annual bonuses in the Financial Markets segment, awarded in RSUs, continues to vest in accordance with the same time frame and is payable in cash at the vesting date if the non-compete and non-solicitation conditions are met.
- (3) If the non-compete and non-solicitation conditions are met.

Estimated value of conditions applicable in the event of the termination of employment

The employment contracts of Named Executive Officers include no individual agreement in the event of the termination of employment. The actual amount that a Named Executive Officer might receive in the event of a termination of employment can be calculated only at the time of termination. Several factors could influence the amount of the benefits, and the amounts actually paid could be higher or lower than those presented below.

Louis Vachon retired on October 31, 2021, and no incremental value was paid to him. The following table indicates the estimated incremental amounts that would have been paid to the other Named Executive Officers if their employment had been terminated as at October 31, 2021. These amounts do not include the benefits that could be considered with respect to Common Law and Civil Law.

Name	Estimated incremental value by type of termination (\$) ⁽¹⁾		
	Retirement, voluntary resignation, and termination of employment with cause	Termination of employment without cause (lay-off) ⁽²⁾	Change of control and termination of employment ⁽³⁾
Ghislain Parent	–	–	\$1,956,912
Laurent Ferreira	–	–	\$6,020,813
Denis Girouard	–	–	\$5,135,512
Martin Gagnon	–	–	\$2,752,180

- (1) The estimated incremental value refers to the severance benefits that would have been paid. No incremental value from the pension plan would have been payable regardless of the reason for the departure.
- (2) If a Named Executive Officer had their employment terminated on October 31, 2021, further to dismissal without cause, he would have been entitled to accelerated vesting of any share-based compensation (excluding DSUs) already granted in the fiscal years prior to 2021. Based on the Bank's share price on October 31, 2021, the value of such accelerated vesting would have been \$3,520,155 for Ghislain Parent, \$11,445,976 for Laurent Ferreira, \$15,243,580 for Denis Girouard, and \$5,225,230 for Martin Gagnon.
- (3) Should an employment termination occur on October 31, 2021, further to a change of control, a Named Executive Officer would have been entitled to accelerated vesting of any option and share-based compensation already granted in the fiscal years prior to 2021. Based on the Bank's share price on October 31, 2021, the value of such accelerated vesting would have been \$7,520,454 for Ghislain Parent, \$9,608,135 for Laurent Ferreira, \$8,848,710 for Denis Girouard, and \$5,537,487 for Martin Gagnon.

OTHER INFORMATION

The Bank considers it important to provide detailed information to enable Shareholders to assess its compensation policies and practices. This section of the Circular discloses additional information about material risk-takers, as required by the principles and standards for sound compensation practices published by the FSB and in accordance with the disclosure obligations set out in the third pillar of the Basel Accord on banking supervision.

The criteria for identifying functions whose incumbents are considered material risk-takers are set by the HRC in accordance with the recommendations of the Compensation Risk Oversight Working Group based on FSB guidelines and on market practices. As a starting point, management has established that all individuals holding positions of Senior Vice-President or higher as well as Officers and certain specialists (primarily Managing Directors) in Financial Markets are considered material risk-takers. Additionally, the Human Resources Committee considers all other individuals who, as part of their normal daily responsibilities, may make decisions that have a notable influence on the Bank's risk exposure.

Compensation awarded in 2021

The following tables summarize the value of the compensation awarded to material risk-takers for fiscal years 2020 and 2021. The value of deferred compensation (based on equity securities) is shown in relation to the projected value at the time of the award.

Amounts are in millions of dollars

Compensation granted	2021		2020	
	Named Executive Officers	Covered Employees	Named Executive Officers	Covered Employees
Number of employees	5	223	5	207
Fixed compensation				
• Cash (not deferred)	\$3.1	\$45.9	\$3.0	\$43.7
Variable compensation				
• Cash (not deferred)	\$9.3	\$145.0	\$6.6	\$125.8
• Share-based (deferred)	\$21.2	\$114.1	\$14.1	\$87.2
Deferred compensation				
Outstanding ⁽¹⁾				
• Vested	\$141.2	\$100.5	\$49.6	\$35.0
• Non-vested	\$84.0	\$301.6	\$35.4	\$167.3
Paid in the fiscal year	\$27.4	\$95.7	\$35.9	\$103.2

(1) Amounts reported in outstanding deferred compensation have been determined based on the closing price of the Bank's Common Shares on the Toronto Stock Exchange as at October 31, 2021, i.e., \$102.46 and as at October 31, 2020, i.e., \$63.94.

All outstanding deferred compensation is subject to implicit adjustments (such as changes in share price) and explicit adjustments (such as the clawback of variable compensation). In fiscal 2021, no explicit adjustment of deferred compensation granted in a previous year was made.

Other compensation

The following table shows the awards of cash and of deferred compensation granted at hiring, including minimum guaranteed bonuses under the variable compensation programs as well as the severance payments.

Amounts are in millions of dollars

Other compensation	2021		2020	
	Named Executive Officers	Covered Employees	Named Executive Officers	Covered Employees
Bonus offered at hiring under the guaranteed bonuses policy				
• Number of employees	0	6	0	– ⁽¹⁾
• Signing awards	\$0	\$4.3	\$0	
• Guaranteed awards	\$0	\$4.5	\$0	
Severance payments				
• Number of employees	0	5	0	– ⁽¹⁾
• Severance payments	\$0	\$13.6	\$0	

(1) Given the low number of employees who received hiring bonuses and severance payments in 2020 and to protect their confidentiality, the Bank provided OSFI with information about hiring bonuses and severance payments paid in 2020 to material risk-takers. This information included the number of material risk-takers who received hiring bonuses and severance payment as well as the amounts paid.

8.

Other information

Indebtedness of Directors, Executive Officers and employees

Aggregate indebtedness

The following table shows the aggregate indebtedness⁽¹⁾ outstanding at January 24, 2022 to the Bank or its subsidiaries incurred by current and former directors, Executive Officers⁽²⁾ and employees of the Bank and its subsidiaries. This amount excludes “routine indebtedness” (as defined in securities legislation).

Purpose	Granted by the Bank or its subsidiaries (\$)	Granted by another entity (\$)
Securities purchases	–	–
Other	33,711,076 ⁽³⁾	–

- (1) These loans are granted by the Bank or one of its subsidiaries or by another entity if the indebtedness is the subject of a guarantee or letter of credit provided by the Bank or one of its subsidiaries, a support agreement, or other similar arrangement or understanding.
- (2) For the purposes of this section, the Executive Officers are the Chair of the Board, the President and Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, the Vice-Presidents in charge of a principal business unit, division or function of the Bank, and Officers of the Bank or its subsidiaries who perform a policy-making function in respect of the Bank.
- (3) This amount consists of loans, 96% of which are secured.

8. Other information

Indebtedness of Directors and Executive Officers under securities purchase and other programs

Under the Act and pursuant to its mandate, the Conduct Review and Corporate Governance Committee is responsible for overseeing transactions with related parties, a group that includes the Bank's Directors and Executive Officers. The Conduct Review and Corporate Governance Committee has defined procedures that apply to a wide range of related party transactions. In general, all related party transactions must be on market terms and conditions unless, in the case of banking products and services for Bank employees, the terms and conditions are otherwise stipulated under approved policy guidelines governing all employees.

The following table presents the indebtedness ⁽¹⁾ of each individual who is, or was, during the most recently completed fiscal year, a Director or Executive Officer of the Bank as well as the indebtedness of each Director nominee of the Bank and of each related person of any such Director, Executive Officer or nominee. These loans exclude loans repaid in full and routine indebtedness.

Name and principal position	Involvement of the Bank or a Bank subsidiary	Largest amount outstanding during the fiscal year ended October 31, 2021 (\$)	Outstanding as at January 24, 2022 (\$)	Financially assisted securities purchases during the fiscal year ended October 31, 2021	Security for indebtedness	Amount forgiven during the fiscal year ended October 31, 2021 (\$)
SECURITIES PURCHASE PROGRAMS						
–						
OTHER PLANS						
FERREIRA, Laurent President and Chief Executive Officer	Loans granted by the Bank	\$3,320,490.05 ⁽²⁾	\$4,814,998.45 ⁽²⁾	–	–	–
	Loans granted by the Bank	\$149,753.52 ⁽³⁾	\$145,446.82 ⁽³⁾	–	–	–
GAGNON, Martin Executive Vice-President – Wealth Management, and Co-President and Co-Chief Executive Officer of NBF	Loans granted by the Bank	\$1,942,735.50 ⁽⁴⁾	\$551,549.78 ⁽⁴⁾	–	–	–
	Loans granted by the Bank	\$500,000.00 ⁽⁵⁾	\$488,821.75 ⁽⁵⁾	–	–	–

- (1) These loans are granted by the Bank or one of its subsidiaries or by another entity if the indebtedness is the subject of a guarantee or letter of credit provided by the Bank or one of its subsidiaries, a support agreement, or other similar arrangement or understanding.
- (2) This amount represents the balance of a home equity line of credit, named National Bank All-in-One, secured by a mortgage loan on the borrower's primary residence that was granted by the Bank under conditions applicable to clients, except that the interest rate is the one granted to Bank employees, i.e., the prime rate less 0.5%, but not less than the prime rate divided by 2.
- (3) This amount represents the balance of a loan secured by a mortgage granted by the Bank, under conditions applicable to clients.
- (4) This amount represents the balance of a home equity line of credit, named National Bank All-in-One, secured by a mortgage loan on the borrower's primary residence that was granted by the Bank under conditions applicable to clients, except that the interest rate is the one granted to Bank employees, i.e., the prime rate less 0.5%, but not less than the prime rate divided by 2.
- (5) This amount represents the balance of a loan secured by a mortgage on the borrower's primary residence that was granted by the Bank under the conditions applicable to clients, except that the interest rate is the one granted to Bank employees.

Liability insurance for Directors and Officers of the Bank

The Bank has purchased a liability insurance policy on behalf of the Directors and Officers of the Bank and its subsidiaries. This policy covers Directors and Officers under circumstances where the Bank is not able or not permitted to indemnify them. The policy provides aggregate coverage of up to \$125,000,000 with no deductible.

The annual premium for this insurance is \$1,409,006.16 (incl. taxes). The policy, which is renewable, expires on September 1, 2022.

Minutes

The minutes of the Meeting will be posted on the [sedar.com](https://www.sedar.com) and [nbc.ca](https://www.nbc.ca) websites.

8. Other information

Additional information

Financial information about the Bank can be found in the comparative consolidated financial statements and the management’s discussion and analysis for its latest fiscal year reported in the [2021 Annual Report](#).

Upon request, the Bank will promptly provide any Shareholder with a free copy of the 2021 Annual Report, a copy of the 2021 Annual Information Form together with a copy of any document incorporated therein by reference, a copy of the annual consolidated financial statements for the fiscal year ended October 31, 2021 with the accompanying independent auditor’s report, a copy of any subsequent quarterly report, and a copy of the Management Proxy Circular for its most recent Annual Meeting of the Holders of Common Shares of the Bank, and all other documents incorporated by reference into the Circular, including the mandate of the Board, as well as a copy of the Code of Conduct and Ethics. To obtain copies of these documents, please send your request to the Senior Vice-President, Legal Affairs and Corporate Secretary, National Bank of Canada, 600 De La Gauchetière Street West, 4th floor, Montreal, Quebec, Canada H3B 4L2.

These documents as well as additional information about the Bank may be obtained on the [nbc.ca](#) and [sedar.com](#) websites.

In accordance with notice-and-access procedures, any Shareholder who wishes to receive a free printed copy of the Circular prior to the Meeting or in the year following the date that said Circular was filed, should follow the instructions provided in the Obtaining the Circular heading of [Section 1](#) of the Circular.

The following governance-related information can be found in the “Governance” subsection under “About Us” on the [nbc.ca](#) website:

- Mandates of the Board and of the Board committees and subcommittee
- Mandates of the Chair of the Board and of the chairs of the committees and subcommittee
- Director independence policies
- The Bank’s Statement of Corporate Governance Practices
- The Policy Regarding the Diversity of the Board of Directors
- Code of Conduct and Ethics
- Stakeholder Engagement Guidelines

You will also find the most recent ESG Report, TCFD Report, Privacy Booklet, and Inclusion and Diversity Booklet in the “Social Responsibility Report” subsection under “About Us” on the [nbc.ca](#) website.

The Bank is also very active on social media platforms through which it can be contacted.

Trademarks

The trademarks used in this Circular include National Bank of Canada, National Bank, National Bank Financial, NBC, National Bank All-in-One, and their respective logos, which are trademarks of the Bank used under licence by authorized third parties. All other trademarks mentioned in this Circular that are not the property of the Bank are owned by their respective holders.

Approval of the Board

The Board has approved the content of this Circular and its mailing to the Shareholders.

**NATIONAL BANK OF CANADA**

Dominic Paradis

Senior Vice-President, Legal Affairs and Corporate Secretary

Montreal, February 23, 2022

Appendix A

Shareholder proposals

The Mouvement d'éducation et de défense des actionnaires (MÉDAC), the head office of which is located at 82 Sherbrooke Street West, Montreal, Quebec, Canada H2X 1X3, has submitted eight proposals in French (Proposals 1 to 8) for review at the Meeting. Following discussions with the Bank, the MÉDAC has agreed to submit only Proposals 1 to 3 to Shareholder vote. As well, both parties have convened to include Proposals 4 to 8, for information purposes and without submitting them to a vote. The Bank has reproduced the full text of the eight proposals that it received from MÉDAC as well as the Bank's position for each proposal.

A proposal relative to the Bank's climate action plan was submitted by the Shareholder Association for Research and Education (SHARE) by Ms. Diana M. Smith, who is represented by Stephen Whipp Financial. After discussions with the Bank, SHARE agreed to withdraw its proposal from the vote.

The Bank thanks its Shareholders and their representatives for taking the time to dialogue with them on matters that are important to the Bank.

PROPOSAL NO. 1

Submitted to Shareholder vote

"Become a benefit company

It is proposed that the Bank examine the possibility of becoming a benefit company and report back to shareholders at the next annual meeting.

Arguments

Since 2002, banks have been required to report on their contribution to society, not only in terms of economic performance but also social and environmental performance. Twenty years later, banks need to take a step further in their commitment to inclusive, green, and sustainable prosperity by exploring the possibility of becoming a benefit company, as the Business Development Bank of Canada (BDC) has already done by amending its bylaws. Introduced in Maryland in 2010 and now adopted in 36 U.S. states,⁽¹⁾ the concept of benefit company has been introduced into B.C. legislation⁽²⁾ and in Quebec's Bill 797.⁽³⁾ A benefit company has the following characteristics:⁽⁴⁾

1. "The purpose of the company shall include [...] the creation of a positive impact on society and the environment, taken as a whole, from the business and operations of the company [...]."

2. The directors shall, when deciding what is in the best interests of the corporation, consider the short-term and the long-term interests of the corporation and the interests of the corporation's shareholders, employees, suppliers, creditors and consumers, as well as the government, the environment, and the community and society in which the corporation operates (the "stakeholders") to inform their decisions.
3. In discharging his or her duties, and in determining what is in the best interests of the corporation, each director shall consider all of the stakeholders [...] but shall not be required to regard the interests of any particular stakeholder as determinative." [... 4... 5.]

Professor Henry Mintzberg of McGill University has said, "Successful corporate social responsibility initiatives will never match or remedy the effects of corporate social irresponsibility."⁽⁵⁾ By becoming a benefit company, banks will be able to enshrine, in their articles of association, a commitment to work in the general public interest and to report on how their actions affect all stakeholders.

- (1) OSLER, HOSKIN & HARCOURT "B.C.'s new legislation on benefit companies," Osler, Hoskin & Harcourt LLP. (June 17, 2020) <https://www.osler.com/en/resources/regulations/2020/b-c-s-new-legislation-on-benefit-companies>
- (2) "Bill M 209 – 2019: Business Corporations Amendment Act (No. 2), 2019" (May 15, 2019) <https://www.bclaws.gov.bc.ca/civix/document/id/bills/billsprevious/4th41st:m209-3>
- (3) "Bill 797, An Act to amend the Business Corporations Act to include benefit corporations" – National Assembly of Québec <http://assnat.qc.ca/en/travaux-parlementaires/projets-loi/projet-loi-797-42-1.html>
- (4) "Canada – Corporation – No | Certified B Corporation" <https://bcorporation.net/canada-corporation-no>
- (5) Craig RYAN, "The future is here: How B Corps are transforming corporate social responsibility," *BDC.ca* (September 13, 2020) <https://www.bdc.ca/en/articles-tools/blog/future-is-here-how-b-corps-transforming-corporate-social-responsibility>."

The Bank's position:

The Bank acknowledges that stakeholder contributions are necessary to its success. The Bank is also aware that the role it plays in society must not only be that of financial institution but also that of corporate citizen and employer of choice. Through open, transparent, and constructive dialogue with stakeholders, the Bank can better identify and understand stakeholder viewpoints and concerns and in turn respond appropriately to the changing needs of our society. The Bank's growth has been anchored for many years in dialogue with stakeholders who participate in the success of the organization.

As such, in 2018, the Board adopted the Bank's One Mission, which seeks to have a positive impact on people's lives by building long-term relations with clients, employees, and the community. Beyond words, this mission finds concrete expression within the Bank by setting the foundations on which the Bank's values and objectives are based. In turn, these values and objectives are reflected in the scorecard applicable to all Executive Officers, which dictates the directions of all the business segments. In general, the Board is responsible for ensuring that decisions made by the Bank are consistent with its values.

The Conduct Review and Corporate Governance Committee is responsible for overseeing the Bank's ESG strategy and must ensure that the Bank is operating in accordance with its One Mission. It is also responsible for overseeing the implementation of measures designed to promote communication with the Bank's stakeholders. It is also tasked with the application of the Stakeholder Engagement Guidelines.

In addition to the regulatory requirements to which the Bank must comply, the Bank also voluntarily chooses to adhere to certain initiatives or make commitments, particularly regarding ESG matters, and to disclose its targets and related progress. For example, the Bank has signed the UN Principles for Responsible Banking, the fourth principle of which concerns stakeholders and requires a commitment to “proactively and responsibly consult, engage and partner” with them “to achieve society’s goals.” The Bank has already formalized its commitment to dialogue and takes into account the interests of its stakeholders in various ways. In addition, under the third principle of the UN Principles for Responsible Banking, the Bank will “work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.”

Consequently, the Board believes that becoming a benefit company would not significantly change how the Bank does business. Also, it would not change the substantial role already held by the Bank’s stakeholders. The Board will pursue its engagement efforts with stakeholders and continue to improve its dialogue with them on a continuous basis.

For these reasons, the Board recommends that Shareholders vote AGAINST this proposal.

PROPOSAL NO. 2

Submitted to Shareholder vote

“Environmental policy advisory vote

It is proposed that the Bank hold an annual advisory vote on its environmental and climate action plan and objectives.

Arguments

At the 2018 annual shareholder meetings for banks, we presented the banks with a shareholder proposal inviting them to publish a brief annual report that would allow shareholders to assess their climate risk exposure as well as their contribution to the transition to a low-carbon economy. Your sustainability and social responsibility reports show the actions taken or planned to help develop a clean economy in Canada in the coming years.

A December 2020 report by the *Rainforest Action Network*⁽¹⁾ led us to question the relevance of the proposed objectives and action plans. According to the report, RBC, TD, and Scotia were among the world’s top 10 companies for fossil fuel financing, providing more than \$89 billion to oil companies in 2019. BMO and CIBC ranked 16th and 21st, with a total of almost \$42 billion.

The consistent financing of such operations over the past few years is far from the type of behaviour needed to address the alarming findings presented by the Intergovernmental Panel on Climate Change (IPCC) in its June 2021 draft report. This report is far more alarmist than the 2014 final report. It estimates that, regardless of the rate of reduction of GHG emissions, the devastating consequences of warming on nature—and on we humans who depend on it—will accelerate and become painfully palpable well before 2050:⁽²⁾ “Life on Earth can recover from a drastic climate shift by evolving into new species and creating new ecosystems... humans cannot,” these experts noted.

Add to this the concern of Bank of Canada Governor Tiff Macklem, who, in a November 2020 speech, called for more rapid action by the country to address climate change in order to avoid the economic impacts it could have on households and businesses. He called on financial institutions to better assess the risks they face in this area.⁽³⁾

For all these reasons, it is proposed that the Bank adopt a policy of holding an advisory vote on its environmental and climate action plan and objectives, in order to verify whether they meet the expectations of its shareholders and all its stakeholders.

- (1) <https://www.ran.org/bankingonclimatechange2020/>
- (2) <https://www.lesechos.fr/monde/enjeux-internationaux/rapport-du-giec-sur-le-climat-une-fuite-qui-change-la-donne-avant-la-cop-26-1326324>
- (3) <https://www.finance-investissement.com/nouvelles/economie-et-recherche/changements-climatiques-la-banque-du-canada-veut-presenter-le-pas/>

The Bank's position:

As described in [Proposal 1](#), the Bank maintains a dialogue with its stakeholders. The Stakeholder Engagement Guidelines document provides for, but is not limited to, dialogue with its Shareholders. It also includes dialogue with employees, clients, regulators, and governments as well as organizations such as the United Nations through its Environment Programme – Finance Initiative.

During the last fiscal year, the Bank's environmental and climate action plan and objectives were also covered by this stakeholder engagement exercise. To this end, the Bank interacted with several stakeholders to obtain their viewpoints, discuss any concerns that they may have, and further explain its strategy in relation to these topics.

The Board is of the opinion that a dialogue mechanism is more effective than an advisory vote on an environmental policy. The Board believes that the dialogue the Bank maintains with its Shareholders fully meets the need laid out in MÉDAC's proposal and more. Specifically, this mechanism allows for real, dynamic, and constructive interaction with the Bank's stakeholders, rather than limiting the process to an advisory vote open only to Shareholders. Through dialogue, the Bank obtains, in real time and from all its stakeholders, practical ways of thinking about its strategy so that it can be refined over time.

Finally, in an effort to commit to the transition to a net-zero economy and decarbonization of its customers, the Bank has committed to ambitious objectives, including the following:

- The Bank's plan contains a goal of reducing its GHGs by 25% from 2019 levels by the end of 2025.
- Having signed the Net-Zero Banking Alliance in October 2021, the Bank is committed to improving its targets and disclosure in accordance with the requirements of this agreement. Under the agreement, the Bank aims to align its operational GHG emissions (scope 1 and 2) with those of its loan and investment portfolio (scope 3) to achieve net-zero by 2050 or sooner. In the case of banks, scope 3 includes the scope 1, 2, and 3 GHGs of their loan and investment portfolio customers. Thus, within 18 months of joining, the Bank must set targets for 2030 (or earlier) and 2050, with interim targets every 5 years. All targets will be regularly reviewed to ensure consistency with the latest science. In addition, banks must use recognized, science-based decarbonization scenarios to set targets that are aligned with the Paris Agreement goal⁽⁴⁾.
- The first 2030 targets to be set will focus on priority sectors where the Bank can have the most significant impact, i.e., the most GHG-intensive sectors within its portfolio. These targets will be regularly reviewed to ensure that they are consistent with the latest science. Within 36 months of joining, the Bank has committed to setting a new set of sectoral targets for all or a significant majority of the specified carbon-intensive sectors.

- The Bank has also committed to publish absolute emissions and emissions intensity annually in line with best practices. Within one year of setting targets, it will be required to disclose progress against a transition strategy reviewed by the Board.
- The Bank has also formalized its position of not offering nor consenting to new services for the exploration, development or production of oil and gas in the Arctic, and of not financing new thermal coal mining or processing activities.

Therefore, some commitments already contain defined frequency reporting requirements. This will be an ongoing enhancement to the Bank's existing disclosure on these topics and can be used to inform the dialogue on these issues. The Bank describes in its TCFD Report and ESG Report, accessible on the nbc.ca website, its plan to reduce GHG emissions. This report is updated annually and discloses the progress made by the Bank during the disclosure period. The Bank plans on publishing in the upcoming weeks the yearly updates to its TCFD and ESG Reports.

For these reasons, the Board recommends that Shareholders vote AGAINST this proposal.

(1) Limit the increase of the global temperature to 2°C according to preindustrial levels by aiming for 1.5°C.

PROPOSAL NO. 3

Submitted to Shareholder vote

"French, the official language

It is proposed that the language of the Bank be French, which is the language of work in Quebec, including at annual meetings. Its official status must be formally recorded, in writing, in the company's letters.

Arguments

The Bank is headquartered in Quebec, a French-speaking province.

Quebec has existed for over 400 years, and its official language is French.

It is the only French-speaking state in America.

A people's language is its most essential fundamental attribute, an existential attribute.

The diversity of the world cannot be reduced to matters of the biological nature of individuals or to the arbitration of individual privileges.

The diversity of the world is, first and foremost, a collective issue based essentially on the cultures of peoples.

The people of Quebec, through their territorial state and public institutions—beginning with the National Assembly, its constitution, and its charters—ensure the protection of linguistic diversity in the world by rigorously protecting the collective and public nature of their language. The spirit of the law is clear,⁽¹⁾ including the reforms to the federal⁽²⁾ and Quebec⁽³⁾ legislation.

Respecting and promoting this attribute of global diversity is a social responsibility for all companies.

This is in the interest of all stakeholders, starting with the entire community, regardless of background.

Sustainable development and long-term performance cannot be conceived of otherwise.

It is a company's duty to adhere strictly to these widely acknowledged principles.

Moreover, it is perfectly possible to do business anywhere in the world with a headquarters that operates in the local language.⁽⁴⁾

For example, Samsung⁽⁵⁾ conducts its annual general meeting (in the city of Suwon) in Korean; Heineken⁽⁶⁾ (Amsterdam) in Dutch; Nissan⁽⁷⁾ (Yokohama) in Japanese; Foxconn⁽⁸⁾ (Taiwan) in Mandarin; Volkswagen⁽⁹⁾ (Wolfsburg) in German; and L'Oréal⁽¹⁰⁾ (Clichy), Danone⁽¹¹⁾ (Paris), Christian Dior⁽¹²⁾ (Paris), and LVMH⁽¹³⁾ (Paris) in French. The content is translated into other languages. The principle is simple and clear.

The French language is not a choice. It is the collective instrument of communication. For foreign languages, there is translation, simultaneous or not.

French is our language.

This is a social issue of equity, justice, and dignity. A national issue.

- (1) La Charte de la langue française : une entrave [...] <http://hdl.handle.net/11143/10216>
- (2) Bill C-32 <https://parl.ca/DocumentViewer/en/43-2/bill/C-32/first-reading>
English and French: Towards a substantive equality of official languages in Canada <https://www.canada.ca/fr/patrimoine-canadien/organisation/publications/publications-generales/egalite-langues-officielles.html>
- (3) Bill 96 <http://assnat.qc.ca/en/travaux-parlementaires/projets-loi/projet-loi-96-42-1.html>
- (4) *Comment se conclut un « deal » en français?* [...] <http://collections.banq.qc.ca/ark:/52327/1832243>
- (5) 2021 AGM for Samsung <https://www.youtube.com/watch?v=v8l9i00v58A>
- (6) 2021 AGM for Heineken <https://www.theheinekencompany.com/sites/theheinekencompany/files/Downloads/PDF/AGM%202021/20210609%20Heineken%20N.V.%20Notulen%20AvA.pdf>
- (7) 2021 AGM for Nissan <https://www.youtube.com/watch?v=OS9S3Rgt9k>
- (8) 2021 AGM for Foxconn <https://www.youtube.com/watch?v=pPNJ37Rt3Q0>
- (9) 2021 AGM for Volkswagen <https://www.volkswagenag.com/de/InvestorRelations/annual-general-meeting.html>
- (10) 2021 AGM for L'ORÉAL <https://www.loreal-finance.com/fr/assemblee-generale-2021>
- (11) 2021 AGM for DANONE <https://www.danone.com/fr/investor-relations/shareholders/shareholders-meeting.html>
- (12) 2021 AGM for Christian DIOR https://voda.akamaized.net/dior/1520614_605ded3e38389/
- (13) 2021 AGM for LVMH <https://www.lvmh.fr/actionnaires/agenda/assemblee-generale-2021/>

The Bank's position:

Founded in Quebec in 1859, the Bank is one of six systemically important banks in Canada. It is a leading financial institution in Quebec that is present in every Canadian province, and is gradually developing its international operations. The Bank is headquartered in Montreal.

In Quebec, French is the official language. For nearly 40 years, the Bank has been applying the provisions of the Charter of the French Language. Accordingly, it holds a Francization Certificate and has a Francization Committee. French is the everyday work language endorsed at every level of the organization. The Bank ensures that it is always able to serve and communicate with its stakeholders in French while not excluding the use of English and, where possible, other languages.

All of the meetings held in Quebec are conducted in French, with excerpts in another language. Furthermore, any section that is presented in either one of those languages is simultaneously translated to ensure its comprehension by all stakeholders. Any individual can therefore listen to the entirety of the Meeting and ask questions in French. Inasmuch, all documents related to the Meeting are available in French. In this context, the Board does not believe that it is necessary to integrate any note with regards to the French language in the Bank's corporate by-laws.

For these reasons, the Board recommends that Shareholders vote AGAINST this proposal.

PROPOSAL NO. 4

Not submitted to Shareholder vote

“Formal representation of employees in strategic decision-making

It is proposed that the Board of Directors examine ways to increase employee participation in Board decision-making. Conclusions arising from this reflection process should be reported at the annual meeting in 2023.

Arguments

The health and economic crisis has reminded us of the importance of employee health and well-being within organizations. The advantages are clear: increased job satisfaction, a greater sense of belonging, higher engagement, greater productivity, reduced absenteeism, lower insurance costs, and lower risk of work-related injuries and illnesses. In the years ahead, boards of directors will face a number of issues in the area of talent management and development.

In recent years, boards of directors have made deliberate efforts to raise the quality of their decision-making by drawing on a diverse range of experiences and skills and by involving, as much as possible, people of all genders, ages, backgrounds, and religions. While most boards are made up of independent directors, they lack employee viewpoints, which could provide a perspective beyond the organization’s operational and strategic issues, better oversight of senior management decisions, and an improved balance between short-term and long-term perspectives, as employees tend to focus on the long term.⁽¹⁾

The UK Corporate Governance Code⁽²⁾, in its most recent edition (2018), suggested the following initiatives to increase employee participation in the highly strategic decisions of organizations: creating a formal workforce advisory panel, designating a board member to serve as liaison with the workforce, or appointing at least one employee other than the CEO to the board.

Convinced of the immense value of having direct and formal employee input into strategic decision-making, especially in decisions that greatly affect talent management and development matters, we are tabling this proposal, confident that, at the next annual meeting in 2023, the organization will be able to propose ways to include employee participation and insights.

(1) Andreas KOKKINIS and Konstantinos SERGAKIS, “A flexible model for efficient employee participation in UK companies,” (2020) 20-2 *J. Corp. Law Stud.* 453-493, DOI: 10.1080/14735970.2020.1735161.

(2) Financial Reporting Council – 2018 – The UK Corporate Governance Code <https://www.frc.org.uk/getattachment/88b-d8c45-50ea-4841-95b0-d2f4f48069a2/2018-UK-Corporate-Governance-Code-FINAL.PDF>

The Bank’s position:

Like MÉDAC, the Board believes in the immense value of having effective employee dialogue and their direct input in strategic decision-making. Employees have been identified as one of the pillars of the Bank’s One Mission, which puts people first and is designed to have a positive impact on their lives, on the lives of clients, and on the communities in which the Bank does business. The continued deployment of this mission, the Bank’s cultural transformation, and the success of its ESG strategy were among the Board’s top priorities in 2021, as defined in the Bank’s 2021 Circular.

Employees are stakeholders included in the Stakeholder Engagement Guidelines. Therefore, many opportunities for dialogue are continuously created with them, such as internal social networks, surveys, the Employee Ombudsman, and numerous employee networks.

That is why the Bank’s Employee Experience strategy is based on a culture of collaboration, at the heart of which is a commitment to continuously listen to employees, as described in more detail in the ESG Report in the section entitled “Encouraging Ongoing Feedback”.⁽¹⁾

Decision-making in the Employee Experience unit is supported in particular by the Voice of Employees. It involves many initiatives that have been set up to easily and directly gather employee feedback through various means (surveys, discussion groups, internal employee networks, platforms, etc.) and use such feedback to inform final decisions. These initiatives are also described in the ESG Report.

The Bank also ensures that its Directors are qualified and have experience in this area. That is why the Employee Experience and Executive Compensation competency and the Governance and Corporate Culture competency are included in the Bank’s competencies table, which is disclosed in the [Summary section](#) of this Circular.

In 2022, the Bank will continue, as in past years, to evaluate ways to increase employee participation in the reflections and strategic decisions in accordance with best practices, including those contained in MÉDAC’s proposal hereinabove. The policies and new measures put forward will be integrated into the reporting requirements on this matter included in the Bank’s ESG Report.

As agreed with MÉDAC, this proposal is not being submitted to Shareholder vote.

(1) ESG Report, p. 48. This report is available in the section of the [nbc.ca](#) website devoted to social responsibility.

PROPOSAL NO. 5

Not submitted to Shareholder vote

“Women managers: Promotions and advancement

It is proposed that the Bank publish, every year and in a form of its choosing, a report on the representation of women among its managers, from entry level to the highest level immediately below the president.

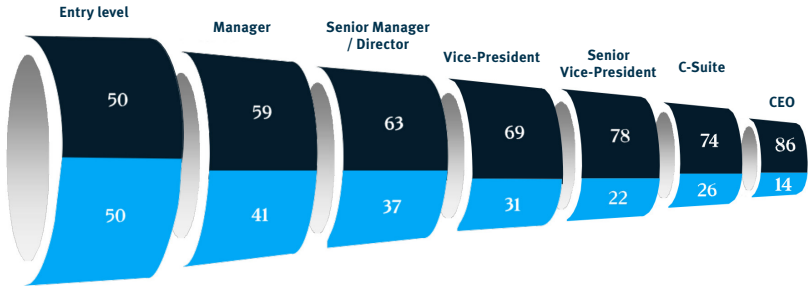
Arguments

The pandemic has completely changed workplaces and the economy. It has hit women particularly hard, as millions of them have had to quit their jobs or opt for part-time work or have been laid off altogether given the nature of their jobs or their economic sector. This situation is leaving companies with far fewer women in management or on the path to management—exacerbating an already existing issue. According to a McKenzie study,⁽¹⁾ while women accounted for 50% of entry-level employees in the organizations surveyed, they made up only 31% of vice-president positions and 14% of CEO positions, as this chart illustrates.

Gender representation in the talent pipeline

Percentage of men and women

- Men
- Women



Measures do exist to “reduce the potential career and financial impact women face after extended unpaid parental leave and subsequent part-time employment,”⁽²⁾ as women are still more likely than men to be in these employment situations, which is a barrier to their advancement.

Companies cannot risk losing more women in management positions. The report being proposed will paint a picture of the situation at the different organizational levels, encourage senior leaders to set gender targets for each level, and inform all stakeholders about the strategies that will be deployed to ensure a robust recovery, especially after the health crisis.

- (1) *The Present and Future of Women at Work in Canada*
<https://www.mckinsey.com/featured-insights/gender-equality/the-present-and-future-of-women-at-work-in-canada#>
- (2) Ibid, see the Shared Care program of the Australian company Aurizon, among other examples.”

The Bank’s position:

Every year, the Bank publishes the data described in MÉDAC’s proposal in its Inclusion and Diversity Booklet. This document also lists several initiatives that have been deployed to support the advancement of women. It contains the representation targets, progress made, and initiatives launched in this regard. This booklet is available in the subsection of the nbc.ca website devoted to diversity, under the “Engagement” tab. In addition, Section 5 of the Circular also addresses diversity among Board members and Executive Officers.

To promote the development and mobility of women while improving their level of representation in management roles, the Bank has launched a variety of initiatives, including many partnerships within the industry and with external organizations, that will contribute to the development of the women we have identified as successors as well as implementing initiatives geared towards development. In 2022, the Bank was recognized again by two outside organizations for the quality of its practices: the Bloomberg Gender-Equality Index and Platinum Parity Certification from Women in Governance. The success of the Bank’s initiatives is also measured by our Inclusion Index, which is integrated into the Officer scorecard, which the Human Resources Committee reviews quarterly.

Also, several measures aimed at employee wellness, including work-life balance measures, are available to employees. These measures are described in the “Bringing Out the Best in Our Employees” section on page 47 of the [ESG Report](#).

The Bank's efforts in this area go beyond disclosure: a structure has been created to ensure sound governance in inclusion and diversity matters. As such, the Inclusion and Diversity Council has been mandated to ensure quarterly progress reporting and to provide regular communications to each segment, to the Office of the President, and to the Human Resources Committee.

As agreed with MÉDAC, this proposal is not being submitted to Shareholder vote.

PROPOSAL NO. 6

Not submitted to Shareholder vote

"Decarbonization

It is proposed that the Bank adopt a plan to substantially reduce its financing of fossil fuel and polluting industries by setting ambitious intermediate targets, quantified over time, to achieve carbon neutrality.

Arguments

Banks are at the heart of our economy. Through the investment and financing choices they make, they shape our society. By providing financial support to fossil-fuel companies or projects, banks are responsible for greenhouse gas emissions (GHGs).

RBC, TD, Scotia, BMO, and CIBC are all among the top 25 financial backers of the fossil fuel industry worldwide.⁽¹⁾

Since the Paris Agreement, these five banks have continued to support the development of polluting companies. The federal government is committed to reducing GHGs by 40% to 45% below 2005⁽²⁾ levels by 2030. Some suggest that, in order to achieve carbon neutrality by 2050, short-term intermediate targets should be higher at the beginning than at the end, i.e., up to 25% for 2025 and 50% for 2050,⁽³⁾ or even more.⁽⁴⁾

The International Energy Agency (IEA) is even urging governments to stop investing in fossil fuels at all.⁽⁵⁾ In all cases, it's important to set targets based on science. There are standards for exactly that purpose, including those of the Science Based Targets initiative (SBTi).⁽⁶⁾

Canada accounts for 2% of global emissions⁽⁷⁾ (but less than 0.5% of the global population), and its oil and gas expansion is currently projected to deplete up to 16% of the global carbon budget.⁽⁸⁾ The IPCC⁽⁹⁾ recently sounded the alarm again, and Antonio Guterres declared that greenhouse gases are "choking our planet."⁽¹⁰⁾

A concrete transition plan on climate change is urgent. It must be submitted to Shareholders in the most appropriate annual publication.

- (1) Banking on Climate Chaos, Fossil Fuel Finance Report 2021, *Rainforest Action Network* <https://www.bankingonclimatechaos.org/bankingonclimatechaos2021>
- (2) Alexandre SHIELD et Marie VASTEL, Trudeau promet de réduire les GES du Canada « de 40% à 45% » d'ici 2030, *Le Devoir*, 2021-04-23 <https://www.ledevoir.com/societe/environnement/599319/trudeau-promet-de-reduire-les-ges-du-canada-de-40-a-45-d-ici-2030>
- (3) "FACT SHEET: President Biden Sets 2030 Greenhouse Gas Pollution Reduction Target Aimed at Creating Good-Paying Union Jobs and Securing U.S. Leadership on Clean Energy Technologies," *The White House*, 2021-04-22 <https://www.whitehouse.gov/briefing-room/statements-releases/2021/04/22/fact-sheet-president-biden-sets-2030-greenhouse-gas-pollution-reduction-target-aimed-at-creating-good-paying-union-jobs-and-securing-u-s-leadership-on-clean-energy-technologies/>
- (4) "2030 climate & energy framework," *Climate Action – European Commission*, 2016-11-23 https://ec.europa.eu/clima/eu-action/climate-strategies-targets/2030-climate-energy-framework_en
- (5) Frank JORDANS, "L'AIE suggère de ne plus investir dans les combustibles fossiles," *La Presse*, Economy section, 2021-05-18 <https://www.lapresse.ca/affaires/economie/2021-05-18/l-ai-e-suggere-de-ne-plus-investir-dans-les-combustibles-fossiles.php>

- (6) <https://sciencebasedtargets.org/>
- (7) “Greenhouse gas emissions,” Environment and Climate Change CANADA, 2007-01-09 <https://www.canada.ca/en/environment-climate-change/services/environmental-indicators/greenhouse-gas-emissions.html>
- (8) *Carter and Dordi – “Correcting Canada’s ‘one eye shut’ climate policy”* <https://cascadeinstitute.org/wp-content/uploads/2021/04/Carter-Dordi-Canadas-one-eye-shut-climate-policy-1.1-April-16.pdf>
- (9) <https://www.ipcc.ch/report/sixth-assessment-report-cycle/>
- (10) <https://news.un.org/fr/story/2021/08/1101392>

The Bank’s position:

The Bank has already adopted a plan to reduce GHG emissions. This plan is described in the TCFD Report available on the Bank’s website. The Bank is also working with various industry partners to identify and implement sound management practices that will promote the transition to a low-carbon economy.

As described in [Proposal 2](#), the Bank is committed to several initiatives designed to reduce GHGs and to support clients in their transition to a net-zero economy, including its joining of the Net-Zero Banking Alliance. As per this commitment, the interim targets to be set and disclosed by the Bank will be measurable, science-based, and ambitious. The targets will also reflect the objectives set by the federal government.

Furthermore, the Bank is already actively reducing GHG emissions, as evidenced by the renewable energy loan portfolio, which, as disclosed in the TCFD Report,⁽¹⁾ is growing faster than the non-renewable energy loan portfolio. The TCFD Report is updated annually and discloses the progress made by the Bank during the reporting period. In addition, the TCFD Report indicates that 52% of the loan portfolio presented no significant climate risks as at October 31, 2020.⁽²⁾

As agreed with MÉDAC, this proposal is not being submitted to Shareholder vote.

- (1) TCFD Report, p.16. This report is available in the “Social Responsibility Report” subsection under “Engagement” on the [nbc.ca](https://www.nbc.ca) website.
- (2) TCFD Report, p.13.

PROPOSAL NO. 7

Not submitted to Shareholder vote

“Environmental and climate advisory committee

It is proposed that the Board of Directors create an environmental and climate committee.

Arguments

In a recent interview⁽¹⁾, Mark Carney, former Governor of the Bank of Canada and the Bank of England, and now the UN Special Envoy on Climate Action and Finance,⁽²⁾ called on companies to create a board committee on climate change to better understand the risks associated with moving to a low-carbon economy. He added that boards would be wise to avail themselves of expertise in the field, given its complexity.

A recent Bank of Canada report⁽³⁾ noted that the transition to a lower-carbon economy would be complicated and potentially costly for some. The transition will likely lead to complex structural adjustments for carbon-intensive sectors, such as oil and natural gas, and may expose insurance companies, banks, and asset managers to greater risk.

The creation of such a committee would reassure shareholders and stakeholders of the Bank's ability to properly manage the risks and opportunities that will arise as a result of climate change and its continued impact on the economy and the financial system.

- (1) Jakob von BAEYER, "Mark Carney on a values-led economy," *strategy+business* <http://www.strategy-business.com/article/Mark-Carney-on-a-values-led-economy>
- (2) "Mr. Mark Joseph Carney of Canada, Special Envoy on Climate Action and Finance | United Nations Secretary General" <https://www.un.org/sg/en/content/sg/personnel-appointments/2019-12-01/mr-mark-joseph-carney-of-canada-special-envoy-climate-action-and-finance>
- (3) <https://changingclimate.ca/>

The Bank's position:

The Bank is aware that environmental and social issues have the potential to affect its operations or the communities in which it conducts business. To manage this risk, the Bank ensures that it has Directors whose core competencies include social responsibility, environment, and sustainable development, as indicated in the competencies table in the Circular's [Summary section](#). The Board also relies on a management team that has experience in risk and ESG management.

Given the importance of ESG matters, the Bank has already adopted a governance structure that provides an appropriate framework, one that particularly addresses the management of related risks and opportunities and the Board believes that this framework meets the objective aimed at in the MÉDAC's proposal as well as the comment made by Mark Carney.

Therefore, as described in [Section 5](#) of the Circular, the Board ensures that environmental issues are incorporated into the Bank's long-term strategic objectives and monitors changes in environmental initiatives and the incorporation of ESG principles. The Board's four committees are responsible for periodically reviewing the Bank's efforts to ensure that it is conducting business in accordance with high standards of corporate responsibility. Essentially:

- The Conduct Review and Corporate Governance Committee is responsible for overseeing the Bank's ESG strategy. This cross-functional responsibility applies to all Board committees. It is also responsible for staying current on ESG best practices, and it ensures that the Bank operates in accordance with these practices and its One Mission. In addition, the committee is responsible for periodically reviewing the Bank's ESG principles and making recommendations on how they can be improved. The committee ensures that the Bank's ESG practices are sound and comply with legislation. It must also challenge senior management decisions and advise, where appropriate. All publications on ESG strategy must be reviewed by the committee.
- The Risk Management Committee is responsible, among other things, for ensuring that the risk management framework reflects environmental, social, and governance risks, so that such risks are adequately identified and monitored and are integrated into current risk management processes. Climate risk is an integral part of the Bank's risk management and is reviewed on a quarterly basis.
- The Audit Committee is responsible for monitoring trends in control measures and trends on integrating environmental factors into financial reporting. An update on TCFD disclosure is presented at least twice a year.
- The Human Resources Committee ensures that the Bank has implemented effective human resource management programs and that the organizational culture is aligned with the Bank's ESG practices and strategies. The committee examines all human resource practices, including employee health and wellness, talent management, and inclusion and diversity.

In addition, the Bank has an executive committee that deals exclusively with ESG matters, i.e., the ESG Working Group. It is led by the Chief Financial Officer and Executive Vice-President – Finance and consists of several executives from various sectors of the Bank. Its main function is to develop and support the Bank’s ESG initiatives and strategy. Its members meet on a monthly basis. The ESG Working Group is responsible for implementing the TCFD’s recommendations, the UN Principles for Responsible Banking, and the Bank’s climate change commitments, including the net-zero target. At least twice a year, the ESG Working Group reports to the Conduct Review and Corporate Governance Committee on its progress as well as on current and upcoming ESG projects. In addition, presentations are made to the Audit Committee and to the Risk Management Committee in a timely fashion on topics of particular interest, such as the TCFD Report.

As agreed with MÉDAC, this proposal is not being submitted to Shareholder vote.

PROPOSAL NO. 8

Not submitted to Shareholder vote

“Materiality matrix

It is proposed that the Bank include, in its annual social responsibility report, a materiality matrix that would help readers better understand the issues involved in the company’s sustainable development strategy, in terms of its priorities as an institution and the expectations of its stakeholders.

Arguments

It is likely that you engage shareholder and investor groups throughout the year on a variety of issues, including governance, the environment, diversity and inclusion, as well as financial performance and strategy. All stakeholders should be informed of the results of this consultation about their needs and how they align with the Bank’s priorities.

More specifically, we are asking you to include, in your social responsibility report, a matrix showing the relative importance of your issues according to the weight given to them by your company and your stakeholders (see Bank of Montreal’s Annual Sustainability Report, page 13),⁽¹⁾ in accordance with the approach prescribed by the Global Reporting Initiative (GRI).

(1) <https://our-impact.bmo.com/wp-content/uploads/2021/03/BMO-2020-ESG-PAS-accessible-1-1.pdf>

The Bank’s position:

The Bank places its relationships with stakeholders at the heart of its One Mission and recognizes the importance of having effective dialogue with them. As indicated in the response to [Proposal 1](#), the fourth principle of responsible banking is engagement with stakeholders. The Bank has already made a commitment to consult, engage, and partner with stakeholders to accomplish the organization’s objectives.

Additionally, the Bank has undertaken steps, which should be finalized in 2022, to create a materiality matrix. The Bank plans to publish an initial matrix based on a recognized framework in its 2023 ESG report.

As agreed with MÉDAC, this proposal is not being submitted to Shareholder vote.

INFORMATION FOR SHAREHOLDERS

Head Office

National Bank of Canada
National Bank Tower
600 De La Gauchetière Street West, 4th floor
Montreal, Quebec, Canada H3B 4L2

Telephone: 514-394-5000
Website: nbc.ca

Registrar and Transfer Agent

For information about stock transfers, address changes, dividends, lost share certificates, tax forms and estate transfers, Shareholders are asked to directly contact Computershare, the Bank's registrar and transfer agent, at the address and telephone numbers below.

Computershare Trust Company of Canada

1500 Robert-Bourassa Boulevard, 7th floor
Montreal, Quebec, Canada H3A 3S8

Telephone: 1-888-838-1407
Fax: 1-888-453-0330
Email: service@computershare.com
Website: computershare.com

For all correspondence (mailing address):

Computershare Trust Company of Canada

100 University Avenue, 8th floor
Toronto, Ontario, Canada M5J 2Y1

All other enquiries may be addressed to:

Investor Relations

National Bank of Canada

National Bank Tower
600 De La Gauchetière Street West, 7th floor
Montreal, Quebec, Canada H3B 4L2

Telephone: 1-866-517-5455
Email: investorrelations@nbc.ca
Website: nbc.ca/investorrelations

Contacting the Board of Directors

Anyone wishing to contact the Board, a Board committee or subcommittee, the Chair of the Board, a chair of a Board committee or subcommittee, or a Director may do so by email to boardofdirectors@nbc.ca or by mail c/o the Senior Vice-President, Legal Affairs and Corporate Secretary, National Bank of Canada, 600 De La Gauchetière Street West, 4th floor, Montreal, Quebec, Canada H3B 4L2.

CODE OF PROCEDURE

The Meeting is an opportunity for us to present the Bank's results and current projects and to hear the opinions of Shareholders on the proposals put to a vote—as indicated in the [Business of the Meeting section](#) presented in the Circular—and to answer their questions.

By attending the Meeting, each person agrees to follow this code of procedure.

In-person registration:

Attendance at the Meeting is limited to Registered holders and Beneficial owners as of the record date as well as to their proxyholders. All participants must confirm their presence and, as required, obtain ballots at the desk of the Bank's transfer agent, which is located at the entrance of the hall. Guests invited by the Bank may also attend the Meeting. Invited guests must confirm their presence with one of the Bank's representatives posted at the entrance of the hall.

To reduce the potential health and safety risks related to COVID-19, and in accordance with the directives and guidance of various government bodies, the Bank will apply the safety protocols in effect at the time of the Meeting. If you opt for in-person attendance at the Meeting, please visit nbc.ca/investorrelations to learn about the measures required at the Meeting.

Online registration:

- [Registered holders and duly appointed and registered proxyholders](#) – Their presence is confirmed when they connect to the webcast via the Login channel.

Beneficial owners who have not appointed themselves or another person to represent them as proxyholder and then registered with Computershare in accordance with one of the procedures described on [pages 13 to 15](#), will be able to join the Meeting only as a guest and will not be entitled to vote and ask questions on the matters on the agenda.

- [Guests](#) – Any other person wishing to attend the Meeting may do so as a guest, and their presence will be confirmed when they connect to the webcast through the Guest channel.

For questions on how to log in to attend the Meeting or how to vote at the Meeting, please refer to Computershare's Virtual AGM User Guide included in the mailing to Shareholders or available at nbc.ca or sedar.com.

Recording prohibited – Photography and audio or video recordings of the webcast of the Meeting are prohibited.

Chair of the Meeting – The Chair of the Meeting is responsible for ensuring that the Meeting is conducted in an orderly manner. He maintains order and exercises all the powers required to that end. The Chair's decisions are final and are not subject to appeal. All webcast or in-person participants must comply with the directions of the Chair of the Meeting. The Chair of the Meeting may, without limitation, interrupt to cut off any comments or questions, that notably:

- are not relevant to the Bank's business
- concern an issue before a court
- are defamatory
- repeat in substance a question or discussion that has already been addressed during the Meeting
- relate to personal grievances

If the Meeting is disrupted by technical or other significant problems, the Chair of the Meeting may adjourn or suspend the Meeting or expedite its proceedings or take any such other action as he deems appropriate in the circumstances.

Business of the Meeting – The Meeting follows the order set out in the Notice of Meeting that was published and sent to Shareholders. Only Registered holders and duly appointed and registered proxyholders may ask questions or submit comments in relation to an agenda item prior to the start of voting or after the subject matter has been presented under either of the following options:

- **In person:** By using the microphone provided for this purpose.
- **By chat:** By using the “Ask a Question” dialogue box, with a Bank representative reading the question at the appropriate time. It is recommended that Registered holders and duly appointed proxyholders forward their questions as soon as possible so that they can be addressed in a timely manner.
- **By phone:** By submitting your phone number using the “Ask a Question” dialogue box so that you can be reached. It is recommended that Registered holders and duly appointed proxyholders forward their phone number as soon as possible so that they can be reached in a timely manner. Please note that your phone number will not be shared with other Meeting participants.

Eligible voters – Only Registered holders and duly appointed and registered proxyholders may participate in the vote. Beneficial owners may not participate in the vote at the Meeting unless they have appointed themselves or a person to represent them as proxyholder and subsequently have registered with Computershare in accordance with the procedure described on [pages 13 to 15](#).

Webcast participants – A high-speed Internet connection is required to allow you to vote and for your vote to be counted. Each webcast participant is responsible for the quality and reliability of their Internet connection.

Shareholder proposals – A Shareholder whose proposal is included in the Circular is invited to present it personally, or through his or her proxyholder, either verbally by telephone or through a representative of the Bank. A period of time is allocated to the Shareholder to present his or her arguments before the vote is taken.

Time allocation – In order for the Meeting and the question period to progress in an efficient manner and to ensure that each participant’s rights are respected, each Registered Shareholder or duly appointed and registered proxyholder may speak for no more than three minutes. The Chair of the Meeting has discretion over the amount of time spent discussing each subject.

Question period at the end of the Business of the Meeting – The questions may only address Bank-related subjects.

Registered holders and duly appointed and registered proxyholders may participate in the question period, under either of the following options:

- **Before the Meeting:** By communicating with the Senior Vice-President, Legal Affairs and Corporate Secretary, the contact information for which is provided on [page 138](#) of the Circular.
- **In person:** By using the microphone provided for this purpose.
- **By chat:** By using the “Ask a Question” dialogue box, with a Bank representative reading the question. It is recommended that you send your questions as soon as possible so that they can be addressed in a timely manner.
- **By phone:** By submitting your phone number using the “Ask a Question” dialogue box so that you can be reached. It is recommended that you send your phone number as soon as possible so that you can be reached in a timely manner. Please note that your phone number will not be shared with other Meeting participants.

Questions on the same topic or otherwise related will be grouped, summarized, and addressed at the same time. Questions or comments submitted by chat will be read by a Bank representative. In the event where one of your duly submitted questions remains unanswered during the Meeting, the Bank undertakes to communicate with you after the event if you have identified yourself and have provided your contact information.



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