

NATIONAL BANK OF CANADA

HUMAN RESOURCES COMMITTEE

The Human Resources Committee (the "Committee") is appointed by the Board of Directors (the "Board") of National Bank of Canada (the "Bank"). It reviews, approves, and, if applicable, recommends to the Board the approval of compensation policies, programs and practices on matters of remuneration, succession planning, pension plans, human resources risk management, shareholder communication and also, with reference to the description of the duties of the President and Chief Executive Officer, his compensation, his objectives and the evaluation of his performance, and furthermore, the compensation of the Members of the Office of the President.

MANDATE

CREATION

1. The Committee is created by the Board of the Bank.

COMPOSITION

2. **Composition** – The Committee is composed of no less than three members.

3. **Independence** – Each of the members of the Committee is independent as defined by the Canadian Securities Administrators.

4. **Guests** – The Chairman of the Board may attend all the meetings of the Committee as a guest. The Committee may invite any other person it deems necessary or desirable to attend all or part of the meetings of the Committee.

5. **Appointment and vacancy**

- a) **Appointment** – Each member of the Committee is designated annually by the Board from among the directors of the Bank.

- b) **Term of Mandate** – All members carry out their duties until a successor is appointed, unless they resign, are relieved of their duties or no longer sit as directors.

- c) **Vacancy** – A vacancy on the Committee is filled by the Board as it deems appropriate. Failure to fill a vacancy does not invalidate the decisions of the Committee, provided there is a quorum.

6. **Chair**

- a) **Appointment** – The Chair of the Committee is designated by the Board from among the members of the Committee. If the designated Chair is unable to chair a meeting of the Committee, the Committee selects a Chair from the members of the Committee present for that meeting.

- b) **Duties** – The duties of the Chair of the Committee are set out in the mandate of the Chair. The Chair of the Committee may ask the Chairman of the Board to have certain matters for which the Committee is responsible submitted to the Board.

7. **Secretary** – The Secretary of the Bank, an Assistant Secretary, or any other person designated by the Secretary, acts as Secretary of the Committee.

MEETINGS AND CALLING OF MEETINGS

8. **Regular Meetings** – Committee Meetings are held on the dates and at the times and locations established by the Board, at least once per quarter. The Committee members are informed annually in writing thereof, without any further notice required.

9. **In Camera Meetings** - The Committee members are scheduled to meet without any members of the Bank's management being present at each Committee meeting under the direction of the Chair of the Committee.

10. **Unscheduled Meetings**

- a) **Meetings** – An unscheduled meeting may be called at any time by the Chair of the Committee, the Chairman of the Board, the President and Chief Executive Officer, one of the Committee members, or the Executive Vice-President – Human Resources and Corporate Affairs.

- b) **Notice** – A notice specifying the purpose, place, date and time of each unscheduled meeting must be sent to each Committee member by mail or any other means of telephone or electronic communication no less than twenty-four hours before the time and date set for the meeting, unless the Chair of the Committee, the Chairman of the Board or the President and Chief Executive Officer deems necessary to call a meeting on shorter notice, in which case the notice shall be no less than two hours.

- c) **Without Notice** – Unscheduled Committee meetings may be held without notice when all Committee members are present or when the absent members provide a written waiver of notice of a meeting. Moreover, the presence of a member constitutes a waiver of this notice of a meeting,

except if this member is present to specifically oppose the review of any question, claiming that the meeting was not called in due form.

11. Means of Communication – Meetings of the Committee may be held by telephone or any other means that enables all participants to communicate with each other adequately and simultaneously. Persons participating in a meeting by telephone or any other means of communication are deemed to have attended the meeting.

QUORUM

12. Principle – A quorum of a Committee meeting is attained when a majority of the Committee members attend such meeting.

13. Duration – Quorum shall be maintained for the entire meeting so that the Committee members can legitimately deliberate and make decisions. However, any director who is not present at any particular time during the meeting for the purposes of subsection 182(3) of the *Bank Act* (Canada) (the "Act") shall be considered as attending for the purposes of quorum.

14. Vote – Notwithstanding the foregoing, the decisions made by the Committee concerning matters submitted for its consideration shall be made by a majority vote of the members present. Should only two members be present and quorum be attained, decisions shall be unanimous.

15. Absence of Quorum – If quorum is not attained for a meeting of the Committee, the Chairman of the Board may, at the request of the Chair of the Committee, act as a member of the Committee for that meeting and have a right of vote.

MINUTES

16. Recording – The minutes of each meeting of the Committee, duly approved by the Committee, are entered by the Secretary in a register kept specifically for that purpose.

17. Distribution – The minutes of each Committee meeting are submitted for information to the members of the Board at a subsequent meeting of the Board.

18. Report to the Board – The Chair of the Committee makes an oral report to the Board on the decisions taken and the Committee's recommendations at a subsequent meeting of the Board.

ROLES AND RESPONSIBILITIES

19. Compensation Policies, Programs and Practices – The Committee:

a) Reviews, approves and recommends to the Board that it approve the Bank's total compensation policies and programs, including equity incentive plans as well as the other employment conditions and staff benefits, applicable to the Named Executive Officers, other Officers, certain designated employees and employees of the Bank and ensures they are applied;

b) Reviews, approves and recommends to the Board that it approve any changes deemed to be material¹ made from time to time to the global compensation policies and programs of the Bank;

c) Ensures, on a regular basis, that the Bank's compensation practices promote the achievement of the Bank's business objectives without compromising its viability, its solvency or its reputation, and reports thereon to the Board;

d) Ensures that the Bank's compensation policies, programs and practices are in compliance with the regulations and standards in effect;

e) Takes into account the risk management framework applicable to the Bank's compensation policies, programs and practices at the time of their development, review or implementation;

f) Reviews and approves the Bank's annual salary policy, the target performance objectives tied to the variable compensation programs as well as the allocation thereof;

g) Ensures that the compensation paid is in line with the annual salary policy as well as the variable compensation programs and that it complies with the target performance objectives;

h) Recommends to the Board that it approve any exceptions deemed to be material to the application of the annual salary policy and variable compensation programs;

i) Ensures that the compensation paid to the officers of the Bank and its designated subsidiaries is closely tied to shareholders' long-term interests and so ensures regular follow-up of share ownership guidelines;

j) Receives and reviews the report of the Bank's Internal Audit Department drafted to identify any significant variance among the Bank's compensation policies, programs and practices and the regulations and standards in effect and between the compensation paid and the

¹ If the monetary value of the change or exception exceeds 15% of the total value of the envelope generated by the program, the change or exception will be deemed to be material.

compensation payable under the terms of the Bank's total compensation policies and programs.

20. President and Chief Executive Officer – The Committee:

- a) Reviews, approves and recommends to the Board that it approve the description of the duties of the President and Chief Executive Officer and any changes – excluding technical or format changes made to said description from time to time – and ensures that he is highly principled and that he fosters, together with the other members of management, a culture of integrity throughout the organization;
- b) Compares the compensation of the President and Chief Executive Officer to that paid by companies in the Bank's reference market in order to determine whether his total target compensation is competitive;
- c) Sets and recommends to the Board that it approve the annual objectives and key annual performance indicators linked to the compensation of the President and Chief Executive Officer;
- d) Appraises, on an annual basis, the accomplishments and performance indicators of the President and Chief Executive Officer with respect to the annual objectives and the annual key performance indicators as well as the prudence with which he has managed the Bank's operations and the risks to which the Bank is exposed, and reports thereon to the Board;
- e) Approves and recommends to the Board that it approve the compensation of the President and Chief Executive Officer;
- f) Reviews and recommends to the Board, if applicable, the awarding of perquisites to the President and Chief Executive Officer; and
- g) Examines the succession plan for the President and Chief Executive Officer and assists the Board in monitoring the succession planning process.

21. Members of the Office of the President – The Committee:

- a) Receives and reviews, on an annual basis, the report of the President and Chief Executive Officer on the performance of the members of the Office of the President and the prudence with which they have managed the Bank's operations and the risks to which the Bank is exposed, and reports thereon to the Board;

- b) Compares the compensation of the members of the Office of the President to that offered by companies in the Bank's reference market in order to determine whether total target compensation is competitive; and

- c) Approves and recommends to the Board that it approve the compensation of the members of the Office of the President.

22. Succession Planning – The Committee:

- a) Periodically reviews the profile of Officers possessing the necessary competencies to hold senior management positions at the Bank;
- b) Periodically reviews the Officers succession plan of the Bank and its subsidiaries and assists the Board in monitoring the succession planning process; and
- c) Agreements – The Committee reviews the general terms and conditions of all agreements of termination or change in control signed between the Bank and a member of the Bank's management.

23. Pension Plans – The Committee:

- a) Ensures oversight of the pension plans of the Bank and its subsidiaries and the Pool Fund for Participating Pension Plans of the Bank (the "Fund");
- b) Appoints the members of the Retirement Committee, according to their duties, as well as any independent outside members and approves their remuneration;
- c) Reviews and approves amendments of a monetary value of less than \$1 million to the Employee Pension Plan, the Pension Plan for Designated Employees of the Bank and the Post-Retirement Allowance Program ("PRAP");
- d) Recommends to the Board that it approve amendments of a monetary value of \$1 million or more to the Employee Pension Plan, the Pension Plan for Designated Employees and the PRAP;
- e) Reviews and approves the funding policy and the amendments that may be made to it from time to time;
- f) Reviews and approves the target asset allocation and the return objectives of the manager(s) of the Fund under the Investment Policy of the Fund as well as the amendments made to it from time to time, further to the recommendations of the Bank's Retirement Committee;
- g) Receives and reviews, at least once a year, the reports on the decisions and activities of the Retirement Committee of the Bank, the financial position and returns of the

pension plans of the Bank and its subsidiaries and the Fund, and reports thereon to the Board;

h) Approves the financial statements of the Employee Pension Plan, the Pension Plan for Designated Employees and the Fund; appoints the independent auditor thereof and sets its remuneration.

i) Approves the actuarial valuation of the Pension Plan for Designated Employees;

j) Reviews, as necessary, and approves the mandate of the Retirement Committee of the Bank; and

k) Approves the appointment of the members of the Pension Council and the employer representatives who serve on the pension committees of the Bank's subsidiaries.

24. Human Resources Risk Management – The Committee:

a) Receives assurance from management of the Bank that the Bank has a human resources management program which specifically includes the following components: a recruitment process, clearly defined decision-making levels, segregation of incompatible functional responsibilities, a clear communication program for employees regarding their responsibilities as well as the effective supervision of employees, and reports thereon to the Board; and

b) Reviews the Bank's annual report on employment equity.

25. Shareholder Communication – The Committee:

a) Ensures that the Board's approach to executive compensation is communicated clearly to shareholders through, amongst other things, the Statement of Executive Compensation which includes the review of Bank Officers' compensation as well as the decisions made by the Committee, as required under applicable securities legislation and Toronto Stock Exchange rules; and

b) Discloses to shareholders, in a timely manner, relevant information concerning the total compensation of the Bank's Officers and the decisions made by the Committee.

26. Legislative Changes – The Committee keeps itself informed of legislative and regulatory changes affecting compensation and human resources and notifies the Board and the other committees of the Board thereof, if applicable.

27. Guideline E-17 – The Committee reviews and, as applicable, approves the list of responsible persons and the assessment procedures, in accordance with Guideline E-17 of the Office of the Superintendent of Financial Institutions Canada.

VARIA

28. Engagement of Independent External Consultants – The Committee may engage, when it deems appropriate, legal counsel or other independent external consultants to assist it in carrying out its duties and responsibilities. It sets the remuneration and compensates the external consultants it engages. The Bank provides the funds necessary to pay for the services of these external consultants.

29. External Consultants engaged by the Bank – The Committee reviews and approves on an annual basis the list of compensation-related mandates that the Bank plans to give to external consultants. The Committee annually reviews the fees paid to external consultants for mandates performed for the Bank and verifies that the scope of such mandates does not adversely affect their status of independent of the Committee, if they act on this capacity.

30. Power of Inquiry – The Committee may inquire about any question it deems relevant and, to that end, has full access to the books, records, premises, management and employees of the Bank.

31. Communication – The Committee can communicate directly with the Executive Vice-President – Human Resources and Corporate Affairs and any other member of management or employee of the Bank.

32. Subsidiaries – The Committee may act as a human resources committee for Natcan Trust Company and National Bank Financial & Co. Inc. and its subsidiaries, and, if necessary, for any other subsidiary of the Bank where allowed under its incorporating act, and exercises all the duties incumbent upon such committee in accordance with the *Trust and Loan Companies Act* (Canada) or any other applicable legislative or regulatory provision.

33. Board Meetings – The Chair of the Committee may call a Board Meeting in order to discuss matters of particular interest to the Committee.

34. Assessment – The Committee regularly assesses and reviews its mandate and submits it to the Conduct Review and Corporate Governance Committee for approval, which then recommends it for approval to the Board.

35. Other Duties – The Committee shall exercise any other duty required under applicable legislation or the Toronto Stock Exchange rules or that the Board assigns to it. The Committee submits to the Board all recommendations it deems appropriate with respect to matters that fall within its purview.



APPENDIX

DEFINITIONS

Named Executive Officers

For the purposes of this mandate, “Named Executive Officers” means the President and Chief Executive Officer, the Chief Financial Officer and the three highest paid Executive Officers of the Bank in accordance with the definition in *Regulation 51-102 Continuous Disclosure Obligations*

Officers

For the purposes of this mandate, “Officers” means the President and Chief Executive Officer, the other members of the Office of the President, the Senior Vice-Presidents and the Vice-Presidents of the Bank, all direct reports of the members of the Office of the President who are employees of the subsidiaries of the Bank as well as any employee of the Bank whom the Committee considers holds an equivalent function.

Management of the Bank

For the purposes of this mandate, “management of the Bank” means the President and Chief Executive Officer and the other members of the Office of the President of the Bank.

APPROVED BY THE HUMAN RESOURCES COMMITTEE ON OCTOBER 26, 2011.

APPROVED BY THE CONDUCT REVIEW AND CORPORATE GOVERNANCE COMMITTEE ON OCTOBER 27, 2011.

APPROVED BY THE BOARD OF DIRECTORS ON OCTOBER 27, 2011 AND ENTERED INTO FORCE ON NOVEMBER 1, 2011.