

Human Resources Committee

The Bank's Board of Directors delegates certain roles and responsibilities, set out below in this mandate, to the Human Resources Committee. The Committee supervises and approves the management of compensation risks, the policies and main compensation programs, the main culture and talent management strategies and practices, the succession plans for Officers¹, the pension plans, and communication with shareholders.

The Committee ensures that human resources management programs exist at the Bank that enable it to attract and retain the best talent and to promote the employee experience.

Among the activities it performs as part of its mandate, the Committee:

- Is responsible for appointing, establishing performance objectives, assessing the performance and recommending that the Board approve the compensation of the President and Chief Executive Officer and members of the Office of the President.
- Monitors compensation policies and programs
- Reviews the succession and development plan of the Officers, as well as strategies for talent engagement, development and acquisition as well as diversity and inclusion
- Oversees the pension plans and employee benefits
- Monitors the governance and internal controls as concerns human resources management, mainly compensation.



1. THE COMMITTEE'S ROLE AND RESPONSIBILITIES

1.1 President and Chief Executive Officer, Office of the President, and Oversight Functions

1.1.1 Appointment and Mandate:

- The Committee recommends to the Board the appointment of a new President and Chief Executive Officer or new members of the Office of the President.

¹ 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 Bank subsidiaries, as well as any employee of the Bank whom the Committee considers to hold an equivalent function.

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- The Committee reviews, approves and recommends to the Board that it approve the description of the functions of the President and Chief Executive Officer as well as any amendments that may be made.

1.1.2 Performance:

- The Committee sets and recommends to the Board that it approve the annual objectives and annual key performance indicators linked to the compensation of the President and Chief Executive Officer, taking into account operational strategies, and good governance and market practices.
- The Committee appraises, on an annual basis, the accomplishments and performance of the President and Chief Executive Officer with respect to the annual objectives and the annual key performance indicators as well as the risks to which the Bank is exposed, and reports thereon to the Board;
- The Committee receives and reviews, annually, the report of the President and Chief Executive Officer on the performance of the members of the Office of the President, as well as the recommendations of the Audit Committee and the Risk Management Committee regarding the performance appraisal of the oversight functions, and reports thereon to the Board.

1.1.3 Compensation:

- The Committee recommends to the Board that it approve a compensation offer for the President and Chief Executive Officer.
- The Committee approves and recommends to the Board that it approve a compensation offer for the members of the Office of the President and the heads of the oversight functions following the recommendations of the Audit and Risk Management Committees.

1.1.4 Succession:

- The Committee supports the Board in monitoring the succession planning process; and reviews the succession plans for the President and Chief Executive Officer, the members of the Office of the President and the oversight functions, as well as the Bank's emergency preparation plan while taking into account the Bank's values, particularly diversity and inclusion.

1.2 Compensation Policies and Programs

In its compensation risk oversight role, the Committee is supported by the Compensation Risk Oversight Working Group.

1.2.1 Policies and Programs:

- The Committee approves or recommends to the Board the policies and main total compensation programs at the Bank, including equity incentive plans, and other employment conditions and employee benefits, as well as all major amendments to them.

- The Committee oversees the application of the policies and main total compensation programs and makes sure they promote the achievement of business objectives and comply with regulations and standards in effect, including standards set by the Financial Stability Board, without compromising the Bank's solvency and reputation.
- The Committee ensures that appropriate mechanisms are in place to identify, assess and manage the risks associated with the Bank's main compensation programs, while they are being elaborated, revised and applied, and that these mechanisms comply with the Bank's risk management framework.

1.2.2 Salary Policy and Target Variable Compensation:

- The Committee recommends the Bank's salary policy to the Board and ensures the compensation paid is compliant.
- The Committee reviews and approves the performance targets linked to the main variable compensation programs, as well as their method of allocation, and ensures that the compensation paid adheres to performance targets.
- The Committee recommends to the Board that it approve any exceptions deemed material to the application of the annual salary policy and variable compensation programs.

1.2.3 Share Ownership Guidelines:

- The Committee ensures that the compensation paid to the officers of the Bank and its designated subsidiaries is closely tied to shareholders' long-term interests and thus ensures regular follow-up of share ownership guidelines.

1.3 Talent Management

The Committee ensures that the Bank's talent strategies and organizational culture are in line with the business strategy and the Bank's values and commitment to creating a diversified talent pool as well as an open and inclusive environment.

1.3.1 Succession Planning:

- The Committee focuses regularly on Officer pool of the Bank and its subsidiaries by taking into account the recommendations of the Audit Committee and the Risk Management Committee concerning succession planning for the heads of the oversight functions and assists the Board in monitoring the succession planning process.

1.3.2 Acquisition, Development and Engagement Strategies:

- The Committee oversees the implementation of acquisition, development, engagement, diversity and inclusion strategies.

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- The Committee monitors the progress and development of key Officers in accordance with the succession plans.

1.3.3 Terminations:

- The Committee reviews the general terms and conditions of all termination or change in control agreements signed between the Bank and a member of the Bank's Management².

1.4 Pension Plan

1.4.1 Pension Plans:

- The Committee 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");
- The Committee reviews and approves all amendments³ made to the Bank's pension plans.
- The Committee reviews and approves the funding policy and the amendments that could be made to it from time to time.
- The Committee recommends to the board of directors of National Bank Financial Inc. that it approve the amendments to the Pension Plan for Employees of National Bank Financial Inc.
- The Committee reviews and approves the Investment Policy of the Fund as well as the amendments made to it from time to time, further to the recommendations of the Pension Committee of the Bank;
- The Committee reviews, at least once a year, the reports on the decisions and activities of the Pension 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;

1.4.2 Pension Committees and Pension Board:

- The Committee approves the mandate of the Pension Committee of the Bank, appoints its members and approves the compensation of the external members.
- The Committee approves the appointment of the members of the Pension Board and the employer representatives who serve on the pension committees of the Bank's subsidiaries.

² 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.

1.5 Governance and Control

1.5.1 Risk Assessment and Internal Controls:

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

1.5.2 Communication with Shareholders and Stakeholders:

- The Committee discloses to shareholders relevant information concerning the total compensation of the Bank's Officers, the Board's approach to senior management's compensation, and on the decisions made by the Committee.
- The Committee meets with institutional shareholders and other interested stakeholders regarding the compensation process and other governance questions.

1.5.3 Legislative and Regulatory Changes:

- The Committee oversees and reviews the legislative and regulatory changes in human resources management, especially those concerning compensation and governance.

1.5.4 Environmental, Social and Governance (ESG) Responsibility

- The Committee performs its activities in accordance with the Bank's ESG practices and strategies.
- The Committee ensures that the Bank's human resources management strategies and organizational culture are aligned with the Bank's ESG practices and strategies, including the aspects relating to the employees' health and well-being.

2. POWERS

2.1 Hiring Independent External Consultants

- The Committee may hire legal advisors or other independent external consultants to assist it in fulfilling its responsibilities.
- The Committee sets the compensation of its consultants. The Bank provides the funds necessary to pay for the services of these consultants.

2.2 Power of Inquiry

- The Committee may inquire about any question it deems relevant and, to that end, has complete access to the books, registers, installations, and management and employees of the Bank.

2.3 Delegating Powers to a Sub-Committee

- The Committee may, at its discretion, designate a sub-committee to review any issue raised by the current mandate.

2.4 Contacting Officers and Employees Directly

- The Committee may contact the Executive Vice-President – Employee Experience, or any other Bank officer or employee directly.

2.5 Performing any Duties Assigned to it or Required by Law

- The Committee performs any duty required by the legislation in effect or any duty assigned to it by the Board from time to time.
- The Committee submits to the Board all recommendations it deems appropriate with respect to matters that fall within its purview.

2.6 The Bank's Subsidiaries

- The Committee may also act as human resources committee for any other subsidiary of the Bank where allowed under its incorporating act. In that case, it fulfills all the duties incumbent upon such committee, in accordance with the legislation.

2.7 Ongoing Training

- The Committee keeps informed of legislative and regulatory changes, as well as market trends in human resources management.
- It informs the Board of such changes or new developments.
- To keep up to date on all matters relating to its mandate, the Committee attends information seminars on topical matters that fall under its expertise.

COMPOSITION

3.1 Composition of the Committee

- Created by the Board and composed of directors appointed by the Board
- Minimum of three members. Each member has a good understanding of issues related to human resources and compensation or is able to acquire such knowledge or expertise needed within a reasonable timeframe of their appointment.
- One chair, appointed by the Board from among the Committee members
- One secretary, who is the secretary of the Bank, an assistant secretary or any other person designated by the secretary of the Bank
- The composition of the Committee is reviewed every year.

3.2 Chair of the Committee

- The duties of the Committee chair are set out in the mandate of the chair. The Committee chair may ask the chair of the Board to have certain matters for which the Committee is responsible submitted to the Board.
- If the chair cannot be in attendance: The Committee selects a chair from the Committee members in attendance at the meeting or asks the chairman of the Board to chair the meeting.

3.3 Selection Criteria for Committee members

Be independent

- Every member must be independent as defined by the Canadian Securities Administrators.

3.4 Term of Mandate for Committee members

Time

All members carry out their duties until a successor is appointed, or until they:

- Resign
- Are relieved of their duties
- No longer sit at the Board directors

Replacing a member after their departure during the year (vacancy)

- A vacancy on the Committee is filled by the Board as it deems appropriate.
- If it does not appoint a new member and the Committee has the required minimum number of members, the Committee's decisions will be valid.

3.5 Evaluation and Review of the Mandate

- Each year, the Committee reviews and evaluates the relevance of its mandate and evaluates its effectiveness in fulfilling it.

MEETINGS

4.1 Dates of Meetings

Regular meetings scheduled in advance

- At least one meeting per quarter
- The dates, times and locations of meetings are determined in advance by the Board. This information is sent to members yearly. No other notice is sent.

Unscheduled meetings called during the year (as needed).

Who may call them?

- Unscheduled meetings may be called by:
 - ✓ The chair of the Committee
 - ✓ Any other Committee member
 - ✓ The Chairman of the Board
 - ✓ The President and Chief Executive Officer
 - ✓ The Executive Vice-President – Employee Experience

Date, time and location of such a meeting

- The date, time, purpose and location of the meeting are sent to the Committee members by any means of communication, without any required additional notice. The notice also states the purpose of the meeting.

Notice of meeting required unless exception:

- *24-hour notice:* Members must be advised about an unscheduled meeting no less than 24 hours before the time and date set for the meeting.
- *Waiver of notice:* The presence of a member at a meeting constitutes a waiver of this notice of meeting, except if this member is present to specifically oppose the review of any issue, claiming that the meeting was not called in due form.
- *Exception No. 1 – Two-hour notice:* The notice may be sent two hours in advance if there is an emergency called by the chairman of the Board, the chair of the Committee or the President and Chief Executive Officer.
- *Exception No. 2 – Without notice:* An unscheduled Committee meeting may be held without notice when all Committee members are present or when the absent members provide a written waiver of notice of meeting.

Exceptional meetings of the Board to review matters of interest to the Committee

- The Committee chair may call a Board meeting to discuss matters of interest to the Committee.

4.2 Attendance: In Person or Remotely

- Meetings may be held by telephone or any other means that enable all members to communicate with each other adequately and simultaneously. Individuals participating remotely are presumed to be in attendance.

4.3 Individuals Who May be Invited to Meetings**President and Chief Executive Officer**

- He or she may attend every meeting of the Committee.

Chairman of the Board

- He or she may attend every meeting of the Committee.

Any other person invited by the Committee

- They can attend part of or the entire meeting, based on what has been agreed with the Committee.

In Camera Meeting

- Part of the meeting must always take place in the absence of the President and Chief Executive Officer or any other Bank officer.

4.4 Minimum Number of Members Required to Hold a Committee Meeting (Quorum)

- A majority of the Committee members must be present: If a member is temporarily absent from a meeting because the topic discussed puts them in a conflict of interest, they will be considered to be in attendance at the meeting (subsection 182(3) of the *Bank Act*).
- Not enough members present for quorum? The Committee chair can ask the chair of the Board to act as a member of the Committee for this meeting and give them voting rights, unless the Chairman of the Board is already a member of this Committee.

4.5 Vote

- All decisions to be made by the Committee must be voted on.
- Majority vote: The decisions voted on by the Committee must be approved by a majority vote of the members in attendance.
- Unanimous vote if the meeting only includes two members: If the Committee is composed of three members and only two members attend a meeting, the decisions to be voted on must be passed unanimously.

4.6 Minutes of Meetings

- **Minutes:** The secretary is responsible for drafting the minutes after each Committee meeting. These must be approved by Committee members before being filed with the records of minutes. These minutes are provided to all directors at the next Board meeting for information purposes.
- **Oral report of the chair to the Board:** The Committee chair must present an oral report on the deliberations and recommendations of the Committee at the next Board meeting.

Approved on October 30, 2020.