

# Annual Meeting of Shareholders

## April 23, 2021

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 2021

The primary responsibility of the Board of Directors 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 2021:

- > Supervise and advise senior management on the management of the COVID-19 pandemic crisis
- > Approve and oversee the business plan, with particular attention to the Bank's investments in digital transformation and technology
- > Ensure the effectiveness of programs and practices relating to cybersecurity and data privacy
- > Ensure the continued deployment of the Bank's One Mission, the Bank's cultural transformation, and the success of the ESG strategy, including efforts relating to diversity and inclusion
- > Ensure succession planning for the Board and senior management

**Terms and abbreviations used →**

Use the table overleaf to facilitate reading.

**2020 Annual Information Form:** The Bank's Annual Information Form dated December 1, 2020 and posted on the [nbc.ca](http://nbc.ca) and [sedar.com](http://sedar.com) websites on December 2, 2020

**2020 Annual Report:** The Bank's Annual Report filed on December 2, 2020, posted on the [nbc.ca](http://nbc.ca) and [sedar.com](http://sedar.com) websites, including the consolidated financial statements for the fiscal year ended October 31, 2020, 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. Available 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 Report on Environmental, Social and Governance Advances

**EST:** Eastern Standard Time

**Executive Officers (as at February 24, 2021):**

The "Executive Officers" are:

- the President and Chief Executive Officer;
- the Chief Operating 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 Executive Vice-President – Operations;
- the Executive Vice-President – Commercial Banking and Insurance; and
- the Executive Vice-President, Information Technology

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

**FSB:** Financial Stability Board

**HRC:** Human Resources Committee of the Board

**Hugessen:** Hugessen Consulting Inc.

**ICP:** Annual Incentive Compensation Program

**ITS:** Information Technology Subcommittee of the Board

**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 23, 2021 at 10:00 a.m. (EDT) and any reconvening thereof in case of an adjournment

**Named Executive Officers (as at February 24, 2021):** "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;

**Laurent Ferreira** – Chief Operating Officer;

**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.

**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)

**PRAP:** Post-Retirement Allowance Program

**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*, R.R.Q. c V-1.1, r 24

**Regulation 54-101:** *Regulation 54-101 respecting Communication with Beneficial Owners of Securities of a Reporting Issuer*, R.R.Q. 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:** Progress report for the Bank's Task Force on Climate-Related Financial Disclosures

**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.**

# The Bank's Commitments

This past year, the Bank became a signatory to the UN Women's Empowerment Principles. It also continued its commitments to the following global initiatives:

- > UN Principles for Responsible Banking
- > UN Environment Programme Finance Initiative
- > UN Principles for Responsible Investment
- > UN Global Standards of Conduct for Business on Tackling Discrimination Against Lesbian, Gay, Bi, Trans and Intersex People

The Bank supports the Financial Stability Board's Task Force on Climate-related Financial Disclosures. In 2020, it released an initial report outlining the various issues addressed by this group ([the TCFD Report](#)). The Bank is also working with industry partners to develop a relevant disclosure approach.

The Bank is committed to having a positive impact on people's lives. Our principles reflect the importance of striking a balance among society's stakeholders.

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

## Key UN Sustainable Development Goals covered by our principles

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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**



By live webinar at:  
<https://web.lumiagm.com/471337256>

Join us at the Annual Meeting (the “Meeting”)  
to discuss the following matters:

**BUSINESS OF THE MEETING**

For more information  
please see:

<b>1</b>	To receive the consolidated financial statements for the fiscal year ended October 31, 2020 and the independent auditor’s report thereon	<i>Section 2 of the Circular and 2020 Annual Report</i>
<b>2</b>	To elect the directors	<i>Section 2 of the Circular</i>
<b>3</b>	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>
<b>4</b>	To appoint Deloitte LLP as independent auditor	<i>Section 2 of the Circular</i>
<b>5</b>	To review and approve by resolution the replenishment of the number of Common Shares reserved for purposes of the Bank’s Stock Option Plan	<i>Section 2 of the Circular</i>
<b>6</b>	To examine any other matter that may be 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](http://nbc.ca/investorrelations) or [sedar.com](http://sedar.com)**  
**or [envisionreports.com](http://envisionreports.com)**

You will receive by mail or email, with a copy of this Notice, a proxy form or a voting instruction 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 24, 2021 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><b>VOTE via the proxy form</b></p> <p>You must follow the instructions on your proxy form and return it using one of the following methods:</p> <div data-bbox="241 614 422 657"></div> <p>To be valid, your proxy form must be received by Computershare Trust Company of Canada <b>no later than 5:00 p.m. (EDT) on Wednesday, April 21, 2021.</b></p>	<p><b>VOTE via the voting instruction form</b></p> <p>You must follow the instructions on your voting instruction form and return it using one of the following methods:</p> <div data-bbox="668 614 854 657"></div> <p>Your intermediary must receive your instructions no later than 5:00 p.m. (EDT) on April 20, 2021 for your vote to be processed <b>before 5:00 p.m. (EDT) on Wednesday, April 21, 2021.</b> Please refer to the instructions on your voting instruction 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 proxy form or your voting instruction 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 24, 2021, 336,828,455 Common Shares of the Bank were 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 by following the procedure below:

REGISTERED HOLDER		BENEFICIAL OWNER
Before the Meeting, call:	After the Meeting, call:	Call <b>1-877-907-7643</b> (toll-free in Canada and the United States) or Go to <a href="https://proxyvote.com">proxyvote.com</a> and enter the 16-digit control number shown on your voting instruction form.
<b>1-866-962-0498</b> (toll-free in Canada and the United States) or 1-514-982-8716 (other countries)	<b>1-866-964-0492</b> (toll-free in Canada and the United States) or 1-514-982-8714 (other countries)	
And enter the 15-digit control number indicated on your proxy form 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 5, 2021.

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 Annual Meeting of the Holders of Common Shares of the Bank, 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](http://nbc.ca/investorrelations) or [sedar.com](http://sedar.com)  
or [envisionreports.com](http://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 Laurel Hill Advisory Group, a proxy solicitation firm mandated by the Bank, at **1-877-452-7184** (toll-free in Canada and the United States) or at 1-416-304-0211 (other countries), or by email at [assistance@laurelhill.com](mailto:assistance@laurelhill.com).

**Shareholders will be able to register and connect to the live webcast beginning at 9:00 a.m. (EDT) on April 23, 2021. 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 24, 2021

Montreal, February 24, 2021



**Jean Houde**  
Chairman of the Board  
of Directors

Dear Shareholder,

We cordially invite you to virtually join the members of the Board of Directors and the Executive Officers for the Annual Meeting of Shareholders of the Bank. In the unusual context of the COVID-19 pandemic, we are prioritizing your well-being as well as that of employees, clients and the communities in which the Bank operates, to hold a fully virtual meeting again this year.

### **Your Meeting**

This Meeting is an opportunity for us to inform you about our achievements, 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.

### **Good positioning in an unpredictable environment**

Despite the unpredictable environment, the Bank performed well in fiscal 2020, a reflection of our resilient franchise and diversified revenues. Thanks to the strength of our four business segments, we posted good results and solid returns for our shareholders, while maintaining high levels of equity and liquidity. Our performance during the pandemic confirmed that we have made the right strategic choices and are well positioned to continue to grow our businesses in 2021.

### **Constant commitment to good governance**

Throughout the year, the Board took a proactive role in monitoring the pandemic's impact on the Bank and its customers and in supporting management in its thought process.

The Board continues to seek to adopt the best governance practices to enhance its stewardship functions. The composition of our Board is a key aspect of governance, and we are proud to have a strong, competent and diverse team.

### **People first, passion and culture**

All our decisions in 2020 were made in light of our mission to put People First, and this is a source of great pride. The evolution of our culture has enabled us to adapt and perform well in an unprecedented context. Corporate responsibility and ethical standards have always been integral to the Bank's culture. It is with great pride that we have continued in this direction in 2020 by prioritizing the implementation of our environmental, social and governance (ESG) guiding principles. We are proud to be at the service of an institution that puts people first, a mission we share with all the Bank's employees.

Sincerely,



*Jean Houde*  
Chairman of the Board of Directors



*Louis Vachon*  
President and Chief Executive Officer



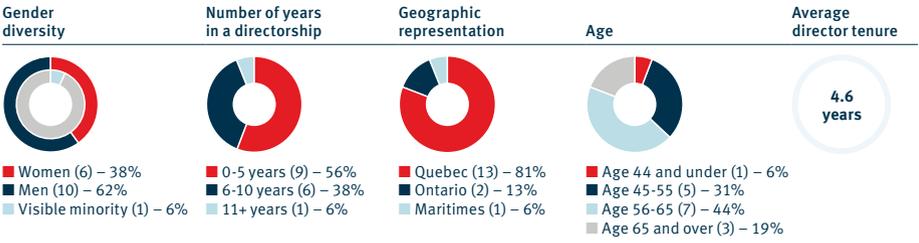
# Summary

## MATTERS SUBMITTED TO SHAREHOLDER VOTE

		Recommendation of the Board and of management	
1	Election of directors	For each nominee	P. 15
2	Board’s approach to executive compensation	For	P. 16
3	Appointment of the independent auditor	For	P. 17
4	Replenishment of the number of Common Shares reserved for purposes of the Bank’s Stock Option Plan	For	P. 18

### 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 16 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 2020	Other directorships in public corporations
<b>Maryse Bertrand</b>	62	April 2012	Corporate Director	✓	AC HRC	97%	<ul style="list-style-type: none"> <li>• Metro inc.</li> <li>• Gildan Activewear Inc.</li> </ul>
<b>Pierre Blouin</b>	63	September 2016	Corporate Director	✓	AC HRC ITS (C)	100%	<ul style="list-style-type: none"> <li>• Fortis Inc.</li> </ul>
<b>Pierre Boivin</b>	67	April 2013	President and Chief Executive Officer, Claridge Inc.	✓	HRC (C)	92%	<ul style="list-style-type: none"> <li>• Metro Inc.</li> </ul>
<b>Manon Brouillette</b>	52	April 2020	Corporate Director	✓	AC HRC ITS	100%	<ul style="list-style-type: none"> <li>• Altice USA, Inc.</li> <li>• Lightspeed POS Inc.</li> </ul>
<b>Yvon Charest</b>	64	April 2020	Corporate Director	✓	RMC HRC	100%	–
<b>Patricia Curadeau-Grou</b>	65	April 2019	Corporate Director	✓	RMC CRGCG	95%	<ul style="list-style-type: none"> <li>• Cogeco Inc.</li> </ul>
<b>Laurent Ferreira</b>	50	February 2021	Chief Operating Officer of the Bank		–	–	–
<b>Jean Houde</b>	75	March 2011	Chairman of the Board	✓	CRGCG	100%	–
<b>Karen Kinsley</b>	64	December 2014	Corporate Director	✓	AC (C) RMC	100%	<ul style="list-style-type: none"> <li>• Choice Properties Real Estate Investment Trust</li> <li>• Saputo Inc.</li> </ul>
<b>Rebecca McKillican</b>	41	October 2017	Chief Executive Officer of McKesson Corporation Canada	✓	HRC ITS	100%	–
<b>Robert Paré</b>	66	April 2018	Strategic Advisor, Fasken Martineau DuMoulin LLP	✓	CRGCG	100%	<ul style="list-style-type: none"> <li>• Quebecor Inc.</li> </ul>
<b>Lino A. Saputo</b>	54	April 2012	Chief Executive Officer and Chairman of the Board of Directors, Saputo Inc.	✓	CRGCG (C) RMC	100%	<ul style="list-style-type: none"> <li>• Saputo inc.</li> </ul>
<b>Andrée Savoie</b>	49	April 2015	President and Chair of the Board of Directors, Acadian Properties Ltd.	✓	CRGCG AC	100%	–
<b>Macky Tall</b>	52	New nominee	Co-Chair of the Infrastructure Group of The Carlyle Group Inc. ( <i>beginning April 2, 2021</i> )	✓	–	–	–
<b>Pierre Thabet</b>	63	March 2011	President, Boa-Franc Inc.	✓	AC RMC (C)	100%	–
<b>Louis Vachon</b>	58	August 2006	President and Chief Executive Officer of the Bank		–	100%	<ul style="list-style-type: none"> <li>• Molson Coors Brewing Company</li> </ul>

## Competencies and expertise of director nominees

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

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 and 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

- Throughout the year, the Bank deployed great effort to ensure that the One Mission unites not only Executive Officers but the entire management team. As a result, since November 1, 2019, all Officers share the same objectives as the Executive Officers.
- Changes were made to the incentive compensation program (ICP) formula for fiscal year 2020:
  - a second client experience metric was added to the ICP calculation formula, increasing the relative weighting of the client experience measure from 10% to 20%;
  - the efficiency ratio was replaced by the operating leverage with a relative weighting of 10%;
  - the ANI weighting decreased from 75% to 70%.

### Fiscal 2020

- From the very beginning of the COVID-19 pandemic, the priority has been the well-being of our employees, clients, Shareholders and communities. All of our decisions were made in light of the Bank's mission of putting "People First".
- Despite the unpredictable environment, the Bank performed well in fiscal 2020. The Bank's financial results met four of its five medium-term objectives. Despite growth in provisions for credit losses and income taxes in 2020 compared to 2019, the target was not met primarily due to the significant increase in provisions for credit losses during the year following the significant deterioration in the macroeconomic outlook caused by COVID-19 and the expected impacts on our clients.
- The Bank did not meet all of the annual objectives used to calculate the ICP formula. As a result, the Human Resources Committee approved the creation of annual bonus envelopes at 73% of target for all Officers to whom the ICP formula applies.
- With the ICP at 73% of target, the total direct compensation (including mid-term and long-term compensation) paid to the President and Chief Executive Officer was 94% of target.
- No changes were made to the target direct compensation of the President and Chief Executive Officer for the current fiscal year.

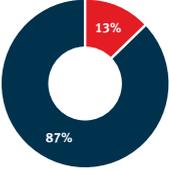
### Fiscal 2021

- Since November 1, 2020, the Bank has further strengthened the alignment of compensation, performance and collaboration across segments by funding the compensation of all Officers from a common envelope based on the Bank's available net income and other key indicators aligned with the One Mission.
- Laurent Ferreira was appointed Chief Operating Officer on February 1, 2021. Mr. Ferreira will provide strategic leadership in support of operations in the Personal and Commercial Banking, Wealth Management, Financial Markets as well as the Operations and Information Technology segments.

## KEY PRINCIPLES OF THE COMPENSATION POLICY FOR EXECUTIVE OFFICERS

### 1. Pay for performance

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

Breakdown of the average target direct compensation of Named Executive Officers	Components of variable compensation		Performance metrics
 <p>■ Fixed compensation – 13%</p> <p>■ Variable and at-risk compensation – 87%</p>	Short-term	Annual bonus	<ul style="list-style-type: none"> <li>• Financial results and client experience measures</li> <li>• Individual performance levels</li> </ul>
	Mid-term	PSUs	<ul style="list-style-type: none"> <li>• Common Share price</li> <li>• Total shareholder return relative to other banks</li> </ul>
		RSUs	<ul style="list-style-type: none"> <li>• Price of the Bank’s Common Shares</li> </ul>
	Long-term	Stock options	<ul style="list-style-type: none"> <li>• Price of the Bank’s Common Shares</li> </ul>
		DSUs	<ul style="list-style-type: none"> <li>• Price of the Bank’s Common Shares</li> </ul>

- ✓ Annual bonuses are capped under the Incentive Compensation Program (ICP).

### 2. Promote sound risk taking

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

Components of variable compensation		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	
Short-term	Annual bonus												
Mid-term	PSUs	 <p>Vest after three years depending on relative TSR and adjustment range capped at 125%</p>											
	RSUs	 <p>Vest over a three-year period</p>											
Long-term	Stock options	 <p>Vest over a four-year period at a rate of 25% per year and stock options expiring after ten years</p>											
	DSUs	 <p>Vest over a four-year period at a rate of 25% per year and redeemable only at retirement or upon termination of employment</p>											

- ✓ The Compensation Risk Oversight Working Group supports the HRC and the Board in their human resources duties and compensation governance duties. The Board’s 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 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 compensation is established 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").**
- ✓ **Compensation of the President and Chief Executive Officer is aligned with total shareholder return.**

The Board is satisfied that the Bank's compensation policy 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 \$154 on December 31, 2020. 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 \$205. For more information, see [page 97](#) 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 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		60.0 times
Other Named Executive Officers	4 times	
Ghislain Parent		17.3 times
Laurent Ferreira		27.6 times
Denis Girouard		26.4 times
Martin Gagnon		17.4 times

- ✓ **Rigorous governance is applied to deferred compensation plans, in particular the Stock Option Plan.**

# 1.

## Voting information

### Obtaining the Circular

Again this year, 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 Meeting 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 24, 2021, 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 proxy form or voting instruction 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

Shareholders can consult this Circular electronically by visiting  
the [nbc.ca/investorrelations](http://nbc.ca/investorrelations) page or [sedar.com](http://sedar.com) or [envisionreports.com](http://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:  <b>1-866-962-0498</b> (toll-free in Canada and the United States) or 1-514-982-8716 (other countries)	After the Meeting, call:  <b>1-866-964-0492</b> (toll-free in Canada and the United States) or 1-514-982-8714 (other countries)
	And enter the control number indicated on your proxy form when required.	
		 Call <b>1-877-907-7643</b> (toll-free in Canada and the United States) or  Go to <b>proxyvote.com</b> and enter the control number shown on your voting instruction form.

If you have any questions regarding the notice-and-access procedures or the Meeting, you may contact the representatives of Laurel Hill Advisory Group (“Laurel Hill”), a proxy solicitation firm mandated by the Bank, at 1-877-452-7184 (toll-free in Canada and the United States) or at 1-416-304-0211 (other countries).

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 Laurel Hill. The Bank estimates that it will pay approximately \$30,000 in fees to Laurel Hill for such services.

Certain Beneficial owners may be contacted by Laurel Hill 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](http://nbc.ca).

#### HOW TO SIGN UP FOR E-DELIVERY

##### REGISTERED HOLDER

Registered holders may sign up for e-delivery at [computershare.com/ca-en](http://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](http://proxyvote.com) using the control number appearing on their voting instruction 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.

## 1. Voting information

### Circular contents

The Circular contains information about the matters set out in the Notice of Meeting and about which you will be asked to voice your opinion. This information includes, among other things, details about the director nominees, the Bank's governance practices, the Board's approach to executive compensation, and, where applicable, the Shareholder proposals to be voted on by the Shareholders.

**Unless otherwise indicated, the information in the Circular is as at February 24, 2021.**

### Attending the Meeting

As a precautionary measure with respect to the COVID-19 pandemic and its impact on public health, and in order to mitigate risks to the health and safety of its Shareholders, employees, directors and Officers, the Bank has decided to hold only a virtual Meeting. As a result, Shareholders will not be able to attend the Meeting in person this year. You are invited to attend via a live webcast available online beginning at 9:00 a.m. (EST) on April 23, 2021 at <https://web.lumiagm.com/471337256>

**Refer to the code of procedure for the Meeting available in Section 8 of the Circular for more information on the proceedings of the Meeting.**

A recording of the Meeting will be available for viewing on the Bank's website until the next annual meeting.

### Right to vote

If you are a Registered holder or Beneficial owner of Common Shares of the Bank on February 24, 2021, 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 12 and 13).

On February 24, 2021, 336,828,455 Common Shares of the Bank were 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 24, 2021, 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, please refer to [page 14](#).

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 proxy form or voting instruction 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 proxy form or voting instruction 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 proxy form or voting instruction 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 proxy form or the voting instruction 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 designated as proxyholders on the proxy form or voting instruction 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
Replenishment of the number of Common Shares reserved for purposes of the Bank's Stock Option Plan	FOR

If no voting 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, which 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 proxy form, the voting instruction 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 proxy form 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](http://nbc.ca) or [sedar.com](http://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](http://www.investorvote.com)



Send the duly completed, signed and dated (on the back) proxy form 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) proxy form by **mail** to 100 University Avenue, 8<sup>th</sup> Floor, Toronto, Ontario, Canada M5J 2Y1.

## BENEFICIAL OWNER

**OPTION 1**  
**Vote by voting instruction 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](http://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 instruction form by **mail**.

## 1. Voting information

## EXERCISING VOTING RIGHTS

## REGISTERED HOLDER

**OPTION 2****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 proxy form that you received in the mail or by email.

1. Go to:  
<https://web.lumiagm.com/471337256>
2. Click on “Login” and enter your 15-digit control number as a user and the following password: “BNC2021” (case-sensitive)

## BENEFICIAL OWNER

**OPTION 2****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 proxyholder by entering your name in the space provided on the voting instruction form you received by mail or e-mail, 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 on the form no later than 5:00 p.m. (EDT) on April 20, 2021 in order for your form to be processed before 5:00 p.m. (EDT) on April 21, 2021.

## 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 21, 2021.
- 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/471337256>

1. Click on “Login” and enter your control number received from Computershare as a user and the following password: “BNC2021” (case-sensitive)

## 1. Voting information

## DESIGNATING A PROXYHOLDER OR REVOKING YOUR VOTE INSTRUCTIONS

REGISTERED HOLDER	BENEFICIAL OWNER
<p data-bbox="63 244 339 264" style="text-align: center;"><b>PROXYHOLDER</b></p> <p data-bbox="63 288 448 331">For your appointment of proxyholder to be considered valid, please follow these steps:</p> <p data-bbox="63 357 125 378">Step 1:</p> <ul data-bbox="63 392 453 563" style="list-style-type: none"> <li>• Identify your proxyholder by entering his or her name in the section provided on the proxy form you received by mail or e-mail</li> <li>• Return the proxy form no later than 5:00 p.m. (EDT) on April 21, 2021 using one of the methods listed in Option 1 on page 12:</li> </ul> <p data-bbox="63 588 125 609">Step 2:</p> <ul data-bbox="63 624 462 715" style="list-style-type: none"> <li>• Register your proxyholder by going to <a href="http://www.computershare.com/nationalbank">http://www.computershare.com/nationalbank</a> before 5:00 p.m. (EDT) on April 21, 2021</li> </ul> <p data-bbox="89 727 462 818">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 data-bbox="89 831 436 887">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 data-bbox="529 244 806 264" style="text-align: center;"><b>PROXYHOLDER</b></p> <p data-bbox="529 288 914 331">For your appointment of proxyholder to be considered valid, please follow these steps:</p> <p data-bbox="529 357 591 378">Step 1:</p> <ul data-bbox="529 392 940 609" style="list-style-type: none"> <li>• Identify your proxyholder by entering his or her name in the section provided on the voting instruction form you received by mail or e-mail</li> <li>• Return the form according to the instructions provided on the form no later than 5:00 p.m. (EDT) on April 20, 2021 in order for it to be processed before 5:00 p.m. (EDT) on April 21, 2021.</li> </ul> <p data-bbox="529 635 591 655">Step 2:</p> <ul data-bbox="529 670 912 761" style="list-style-type: none"> <li>• Register your proxyholder with Computershare by going to <a href="http://www.computershare.com/nationalbank">http://www.computershare.com/nationalbank</a> before 5:00 p.m. (EDT) on April 21, 2021</li> </ul> <p data-bbox="555 774 928 842">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 data-bbox="555 855 912 911">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 data-bbox="225 978 319 999" style="text-align: center;"><b>REVOKING</b></p> <p data-bbox="63 1023 394 1043">You may revoke your proxy as follows:</p> <ul data-bbox="63 1058 482 1481" style="list-style-type: none"> <li>✓ by delivering a written notice to this effect, signed by you or by your duly authorized agent, to: <ul data-bbox="89 1139 482 1294" style="list-style-type: none"> <li>• c/o Senior Vice-President, Legal Affairs and Corporate Secretary, the contact information for which is provided on <a href="#">page 127</a> 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</li> </ul> </li> <li>✓ by revoking virtually on the day of the Meeting or, if adjourned, any reconvening thereof; or</li> <li>✓ by completing, signing and returning to Computershare, in the manner set out on the proxy form, a new proxy form bearing a later date than the form already returned.</li> </ul>	<p data-bbox="689 978 783 999" style="text-align: center;"><b>REVOKING</b></p> <p data-bbox="529 1023 897 1091">You can revoke your voting instructions by following the procedure specified by your securities broker.</p>

# 2.

## Business of the Meeting

### Receipt of the consolidated financial statements and the independent auditor's report

The Bank's consolidated financial statements for the fiscal year ended October 31, 2020 and the independent auditor's report thereon are an integral part of the Bank's 2020 Annual Report, which is available on the [nbc.ca](http://nbc.ca) and [sedar.com](http://sedar.com) websites.

### Election of directors

A total of 16 directors are to be elected at the Meeting. Directors are elected individually each year. Raymond Bachand will not seek to renew his term as director. Aside from Macky Tall, all of this year's director nominees are currently Bank directors. A summary of the professional experience of each director nominee is presented at [Section 3](#) of the Circular.

If no voting instructions are given, the Bank directors designated as proxyholders on the proxy form or voting instruction 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, the election or appointment of his or her replacement, or the close of the next Annual Meeting of Shareholders of the Bank.

### Majority voting

The Board has adopted a majority voting policy governing uncontested director elections. 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 to that effect 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 its rationale for not accepting the resignation.

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

## 2. Business of the Meeting

After the Meeting, the Bank will immediately issue a press release announcing the full voting results for the election of directors.

The director nominee election results from the Annual Meeting held on April 24, 2020 are provided in the director nominee career summaries of Section 3 of the Circular as well as on the [nbc.ca](http://nbc.ca) and [sedar.com](http://sedar.com) websites.

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The Majority Voting Policy is published in the Governance subsection under “About Us” on the [nbc.ca](http://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 principles underlying the Bank's approach to executive compensation. The Board must also 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 approach to executive compensation to an advisory vote, the Board is showing its commitment to the Bank's Shareholders while recognizing its responsibility for executive compensation decisions. The Board considers it crucial for Bank Shareholders to be well informed and to fully understand the principles on which its compensation decisions are based. This advisory vote promotes an ongoing dialogue between Shareholders and the Board regarding the approach to executive compensation.

Last year, 94.24% of the votes cast were in favour of our approach to executive compensation and it has always received the approval of at least 91.66% of the votes cast over the last five years.

### The resolution to be voted on is as follows:

“It is resolved, on an advisory basis and not to diminish the role and responsibilities of the Board of Directors of the Bank, that the Holders of Common Shares accept the approach to executive compensation described 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 2021.”

The above advisory resolution, on which Holders of Common Shares 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 on 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](mailto: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, 4<sup>th</sup> floor, Montreal, Quebec, Canada H3B 4L2.

### Appointment of the independent auditor

During fiscal 2020, the Audit Committee conducted an annual assessment of the performance and service quality of professional accounting firm Deloitte as independent auditor of the Bank. This assessment was based, among other things, on the audit plan submitted, the risk areas identified, the nature of the work done by Deloitte, and the reports presented to the 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 recommend voting **FOR** the appointment of Deloitte as independent auditor of the Bank for the fiscal year beginning November 1, 2020 and ending October 31, 2021.

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 Holders of Common Shares present or represented by proxy and entitled to vote at the Meeting.

For information on the Guidelines for the Management of Services Provided by the Independent Auditor, refer to the “Information on the Audit Committee” section in the 2020 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 envelopes established under the Guidelines for the Management of Services Provided by the Independent Auditor. The following table details the fees billed by Deloitte to the Bank and to its subsidiaries for various services rendered during the past two fiscal years.

	2020	2019
	(\$)	(\$)
Audit fees <sup>(1)</sup>	4,700,000	3,144,307
Fees for audit-related services <sup>(2)</sup>	2,601,065	2,657,611
<b>Sub-total</b>	<b>7,301,065</b>	<b>5,801,918</b>
Fees for taxation services <sup>(3)</sup>	62,699	33,250
Other fees <sup>(4)</sup>	472,592	508,228
<b>Total</b>	<b>7,836,356</b>	<b>6,343,396</b>

- (1) The audit fees include fees for services related to the audit of the consolidated financial statements of the Bank and the financial statements of its subsidiaries or 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 examining the Bank’s interim condensed consolidated financial statements.
- (2) The 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 internal control reviews.
- (3) Tax fees include fees for assistance in tax planning, during restructurings, and when taking a tax position, as well as the preparation and review of income and other tax returns and tax opinions.
- (4) Other fees include fees for consulting services for projects, risk management services, and statutory or regulatory compliance services.

## 2. Business of the Meeting

**Replenishment of the Share reserve for the Stock Option Plan**

The Stock Option Plan was created on September 30, 1993 and adopted by the Annual Meeting of Shareholders of the Bank held in February 1994. Since its inception, the Stock Option Plan has required the maintenance of a reserve of Common Shares of the Bank to cover the options granted each year to participants. This reserve must be replenished on a regular basis so that the Bank will have a sufficient number of Shares to cover new option grants.

The recommended replenishment for 2021 is motivated by an orderly demand in the normal course of the Bank's operations. This partial request would bring the number of common shares reserved for purposes of the Stock Option Plan to 24,126,604, out of a possible maximum of 32,000,000. In line with the prudent approach implemented in 2017, the Board believes that a partial replenishment will meet the Bank's foreseeable needs.

The following table summarizes this proposal, as well as the replenishments approved in 2012 and 2017. As shown, this replenishment is less than the replenishments approved by the Shareholders in the past.

	Number of outstanding Common Shares of the Bank	Replenishment of the Share reserve approved by Shareholders		Reserved Shares after replenishment		Maximum reserve of Common Shares of the Bank reserved for issuance on the exercise of options under the Stock Option Plan	
		Number of Shares	% of Shares outstanding	Number of Shares	% of Shares outstanding	Number of Shares	% of Shares outstanding
2012-01-13	321,930,598	11,462,656	3.56%	32,000,000	9.94%	32,000,000	9.94%
2017-01-12	340,719,292	9,000,000	2.64%	27,191,519	7.98%	32,000,000	9.39%
2020-12-31	336,709,284	7,500,000	2.23%	24,126,604	7.17%	32,000,000	9.50%

While the Bank's replenishments in 2012 and 2017 increased the number of reserved Common Shares to approximately 10% and 8% of the Bank's outstanding Common Shares, this proposal would increase the number of reserved Common Shares to approximately 7.2% of the outstanding Common Shares.

## 2. Business of the Meeting

**Governance of the Stock Option Plan**

The Bank's management is cognizant of the importance that Shareholders place on the issuance of additional Shares. The Bank has therefore put in place various mechanisms to ensure sound management of the Stock Option Plan:

<b>Best governance practices</b>	
<p><b>Rigorous grant process</b></p> <ul style="list-style-type: none"> <li>✓ The Bank makes only one grant per fiscal year, on a specific date, regardless of any hire or appointment of Officers during the fiscal year</li> <li>✓ The Bank does not grant options at a discount. Their price always corresponds to the market price at the time of the grant</li> <li>✓ The exercise price of the options granted may not be reduced</li> </ul>	<p><b>Eligibility for the Stock Option Plan</b></p> <ul style="list-style-type: none"> <li>✓ Since 2015, only Officers and Executive Officers are eligible for the Stock Option Plan</li> <li>✓ For other management levels, stock options have been replaced by grants of RSUs in order to limit the dilutive effect</li> <li>✓ Executive Officers and Officers may elect to receive up to 30% of their long-term compensation in the form of DSUs instead of receiving it all in stock options</li> <li>✓ Directors are not eligible for the Bank's Stock Option Plan</li> </ul>
<p><b>Share ownership and alignment with Shareholders' interests</b></p> <ul style="list-style-type: none"> <li>✓ The Bank has implemented share ownership requirements to align the interests of Stock Option Plan participants with those of the Shareholders</li> <li>✓ The Bank does not permit Executive Officers to take gains from exercised stock options without keeping Common Shares of the Bank of a value equal to such gains, until the share ownership requirements are met</li> </ul>	<p><b>Acquisition staggered over time</b></p> <ul style="list-style-type: none"> <li>✓ The options vest over a period of four years and have an expiration of ten years</li> <li>✓ The Bank does not provide loans to participants upon the exercise of vested options</li> </ul>

For more information on the overall governance practices and provisions of the Stock Option Plan, refer to pages 77, 92 and 93 of the Circular. In addition, more information on the Stock Option Plan can be found on pages 105 and 106.

**Critical component of long-term compensation**

The Human Resources Committee and the Board regularly analyze the total compensation of the Executive Officers and Officers and have concluded that the Stock Option Plan is an important component of employee retention in the context of total compensation in light of the following:

- The Stock Option Plan supports the Bank's long-term growth strategy
- The Stock Option Plan is an important component of talent retention efforts
- Historically, the Bank's normal course issuer bids have countered the dilutive effect resulting from option grants
- The total compensation of participants in the Stock Option Plan is competitive and in line with Bank policies
- The Stock Option Plan is an important component of variable compensation and is deferred over the long term

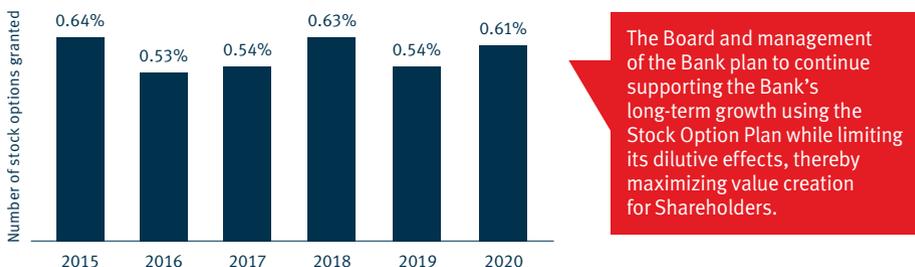
## 2. Business of the Meeting

**Moderate dilution**

The Stock Option Plan has a negligible dilutive effect when compared with current market standards. The options granted in 2020 represent 0.61% of the Bank's outstanding Common Shares and confirm a constant trend. Since 2015, the Bank has maintained an annual burn rate that is well below 1%, which is consistent with the standards of good governance advocated by governance bodies and institutional investors.

**Changes in the Bank's annual burn rate**

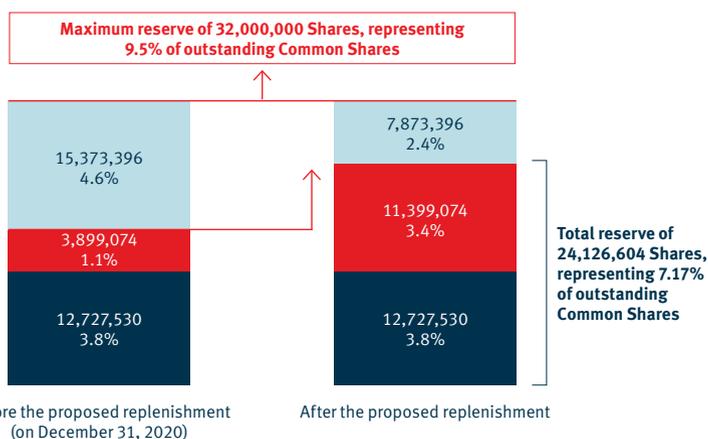
The following graph presents the Stock Option Plan's annual burn rate on December 31 of each year.

**Status of the Treasury Share reserve**

As at December 31, 2020, 3,899,074 reserved Common Shares were available for issuance following the exercise of options not yet granted under the Stock Option Plan.

A replenishment request for 7,500,000 additional Common Shares, or 2.23% of outstanding Common Shares, would be sufficient to cover five years of annual stock option grants. This partial request will bring the number of Common Shares set aside for the Stock Option Plan to 24,126,604, out of a potential maximum of 32,000,000 Common Shares.

The following graph shows the distribution of the number of Shares reserved for purposes of the Stock Option Plan, before and after the proposed replenishment, in relation to the total number of the Bank Outstanding Common Shares.



- Unused reserve of potential options
- Shares reserved for issuance upon the exercise of options not already granted
- Shares reserved for issuance upon the exercise of options already granted

**Recommendation of the Board**

In light of the above, and on the recommendation of the Human Resources Committee, on January 28, 2021, the Board authorized the replenishment of the number of Common Shares of the Bank reserved for issuance under the Stock Option Plan such that, following the replenishment, this number will represent 7.17% of the Bank's issued and outstanding Common Shares at the close of markets on December 31, 2020. Regulatory approvals and approval from the Holders of the Bank's Common Shares are required for this authorization to be in effect.

The resolutions regarding establishment of the number of reserved Common Shares must be adopted by a majority of the votes cast by the Holders of the Bank's Common Shares present or represented by proxy and entitled to vote at the Meeting. The Board, the Human Resources Committee and the Bank's management therefore recommend voting **FOR** this replenishment of the number of Common Shares of the Bank reserved for issuance under the Stock Option Plan.

**The resolutions to be voted on are as follows:**

"Whereas, on January 28, 2021, the Board of Directors of National Bank of Canada (the "Bank") has adopted a resolution such that the number of Common Shares of the Bank reserved for issuance under the Bank's Stock Option Plan (the "Stock Option Plan") is replenished in such a manner that, following the addition of 7,500,000 Common Shares, this number represents 7.17% of the Bank's issued and outstanding Common Shares at the close of markets on December 31, 2020 and excluding any exercise of stock options during the allowed transaction period from February 25 to March 26, 2021;

Whereas the addition of 7,500,000 Common Shares, representing 2.23% of the Bank's issued and outstanding Common Shares at the close of markets on December 31, 2020, was required in order for the total number of the Bank's Common Shares reserved for issuance upon the exercise of options under the Stock Option Plan following the replenishment to be 24,126,604 Common Shares, representing 7.17% of the issued and outstanding Common Shares of the Bank;

Whereas the number of Common Shares reserved for issuance under the Stock Option Plan remains 32,000,000;

Whereas, on February 9, 2021, the Toronto Stock Exchange conditionally approved this replenishment of the number of reserved Common Shares;

Whereas such a replenishment of the number of reserved Common Shares will only become effective when confirmed by a resolution adopted by a majority of the holders of Common Shares of the Bank;

As a result, upon a motion duly made and seconded, it was resolved:

That the number of Common Shares reserved for issuance under the Stock Option Plan is replenished by adding 7,500,000 Common Shares such that following the replenishment, this number represents 7.17% of the Bank's issued and outstanding Common Shares at the close of markets on December 31, 2020; and

That any Officer or director of the Bank is authorized to sign any and all documents and to take all the measures deemed necessary or advisable to give full force and effect to the preceding resolutions."

## 2. Business of the Meeting

### **Shareholder proposals**

The Bank has received, within the time limits prescribed by the Act, proposals from a Shareholder and has included them in this Circular.

The Mouvement d'éducation et de défense des actionnaires (MÉDAC) sent some proposals to the Bank for inclusion in the Circular. These proposals as well as the Bank's responses thereto can be found in [Appendix A](#) of the Circular.

The deadline by which the Bank must receive proposals from its Shareholders for presentation at the Annual Meeting of Shareholders to be held in 2022 is Friday, November 26, 2021 at 5:00 p.m. (EST).

# 3.

## Director nominees

The following tables present information about each of the nominees proposed for election as directors of the Bank. This information includes a summary of their career profile, the nominees' positions on the Board, the Board committees on which they are members, their attendance at meetings of the Board and its committees 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.

**MARYSE BERTRAND**

**SUMMARY OF PROFESSIONAL EXPERIENCE**



**Independent**  
 Age 62  
 Westmount, Quebec, Canada  
 • Director since April 2012  
 • Voting results in 2020:  
 99.71% 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. since January 2015, of Gildan Activewear Inc. since May 2018, and of the Public Sector Pension Investment Board since September 2018, where she is also Chair of the Governance Committee and a member of the Human Resources Committee and the Investment and Risk Committee. She is also a director of the Institute of Corporate Directors, Quebec Chapter, where she chairs the board and the Nominating and Governance Committee, 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 (CAMSRS). From 2016 to January 2017, she was a Strategic Advisor and Counsel to law firm Borden Ladner Gervais LLP. Additionally, from 2009 to 2015, she was Vice-President, Real Estate, Legal Services and General Counsel with CBC/Radio-Canada, where she was also in charge of environmental matters. She has a law degree from McGill University and a Master of Risk Management from the Stern School of Business at New York University. Maryse Bertrand is a member of the Quebec Bar, which has awarded her the title of *Advocatus Emeritus*.

**Position of the Board**

The Board believes that Maryse Bertrand is a quality director due to her expertise in business law, corporate governance and environmental responsibility. Her extensive experience as a director of public and private companies in addition to the leadership skills she has acquired through her various roles as a board and committee chair represent great assets to the Board.

Accordingly, the Board recommends that Shareholders vote FOR the election of Maryse Bertrand to a position as director.

Roles on the Bank's Board and its committees	Meetings attended (in the past fiscal year)	
Member of the Board	17/18	94%
Member of the AC	6/6	100%
Member of the HRC	6/6	100%
<b>Total</b>	<b>29/30</b>	<b>97%</b>

Public corporations	Roles on boards and committees	
Director (in the past five years)	(as at October 31, 2020)	
Metro inc.	2015 to date	<ul style="list-style-type: none"> <li>• Member of the Audit Committee</li> <li>• Chair of the Corporate Governance and Nominating Committee</li> </ul>
Gildan Activewear Inc.	2018 to date	<ul style="list-style-type: none"> <li>• Member of the Audit and Finance Committee</li> <li>• Chair of the Corporate Governance and Social Responsibility Committee</li> </ul>

## 3. Director nominees

**PIERRE BLOUIN****Independent**

Age 63

Montreal, Quebec, Canada

- Director since September 2016
- Voting results in 2020: 99.68% FOR

**SUMMARY OF PROFESSIONAL EXPERIENCE**

## Main areas of expertise:

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

Pierre Blouin is a corporate director, serving on the board of Fortis Inc. since May 2015, where he has chaired its Governance and Sustainability Committee since January 2020 and is a member of its Human Resources Committee. Since February 2019, he has also served on the board of directors of Téléfon Inc. and chairs its Human Resources Committee. He was Chief Executive Officer of Manitoba Telecom Services Inc. from 2005 to 2014. Prior to that, he worked for over 20 years at BCE Group, where he held positions of increasing responsibility, including that of President and Chief Executive Officer of Bell Mobility Inc. from 2000 to 2002, Chief Executive Officer of BCE Emergis Inc. from 2002 to 2003, and Group President, Consumer Markets, Bell Canada from 2003 to 2005. 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 serving on its Audit Committee from June 2015 to June 2017. Pierre Blouin holds a B.A. in Business Administration with a specialization in finance and marketing from HEC Montréal and is a Fellow of the Purchasing Management Association of Canada.

**Position of the Board**

The Board believes that Pierre Blouin is a quality director because of his extensive experience in managing the client experience and in information technology, including the implementation of technology strategies and the integration of technology into business operations and customer service activities, acquired in particular through his various senior management positions at several telecommunications companies. His skills and experience, developed throughout his career, represent great assets for the Board.

Accordingly, the Board recommends that Shareholders vote FOR the election of Pierre Blouin to a position as director.

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	18/18	Director (in the past five years)	(as at October 31, 2020)
Member of the AC	6/6	Fortis inc.	2015 to date
Member of the HRC	6/6		<ul style="list-style-type: none"> <li>• Chairman of the Governance and Sustainability Committee</li> <li>• Member of the Human Resources Committee</li> </ul>
Chair and member of the ITS <sup>(1)</sup>	2/2		
<b>Total</b>	<b>32/32</b>		<b>100%</b>

**PIERRE BOIVIN****Independent**

Age 67

Montreal, Quebec, Canada

- Director since April 2013
- Voting results in 2020: 99.31% 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 September 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. He served as a director at Canadian Tire Corporation, Ltd. from 2013 to 2020. Active in the development of artificial intelligence in Quebec and across Canada, Pierre Boivin is the Chairman of the Board of MILA – Institut québécois d'intelligence artificielle. For over 12 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 is Chairman of the Board of the Montreal Canadiens Children's Foundation, which he created in 2000. He studied Commerce at McGill University. He has been awarded an honorary Doctorate by the Université de Montréal and has been appointed Officer of the Order of Canada and Knight of the Ordre national du Québec.

**Position of the Board**

The Board believes that Pierre Boivin is a quality director because of his extensive experience as a director of public and private companies, particularly in information and digital technologies and through his commitment to the development of artificial intelligence. In addition, his solid knowledge of human resources principles and practices represents a great asset to the Board.

Accordingly, the Board recommends that Shareholders vote FOR the election of Pierre Boivin to a position as director.

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	17/18	Director (in the past five years)	(as at October 31, 2020)
Chair and member of the HRC	5/6	Metro inc.	2019 to date
<b>Total</b>	<b>22/24</b>		<b>92%</b>
		Canadian Tire Corporation Limited	2013 to 2020

## 3. Director nominees

## MANON BROUILLETTE



## Independent

Age 52

Montreal, Quebec, Canada

- Director since April 2020
- Voting results in 2020: 99.69% FOR

## SUMMARY OF PROFESSIONAL EXPERIENCE

Main areas of expertise:

- Entrepreneurship and Strategic Leadership
- Client Experience
- Governance and Corporate Culture
- Information Technology, Security and Digital Solutions

Manon Brouillette is a corporate director. Since June 2017, she is a member of the Board of Directors of Altice USA, Inc. where she has been a member of the Audit and Compensation Committees. Since October 29, 2020, she is a member of the Board of Directors of Lightspeed POS Inc., where she is a member of the Compensation, Nominating and Governance Committee and the Risk Committee. She was a member of the Board of Directors of École de technologie supérieure (ÉTS) and its Audit Committee from 2015 to 2020 and a member of the Board of Directors of SFR Group from 2016 to 2017. Manon Brouillette has held several senior management positions at Videotron Inc. from 2004 to 2019 including President and Chief Executive Officer from 2014 to December 31, 2018, President and Chief Operating Officer from 2013 to 2014 and of President, Consumer Services from 2011 to 2013. Manon Brouillette holds a Bachelor's degree in Public Communications from Université Laval and has completed the Ivey Executive Program at Western University's Ivey Business School. She has received numerous awards and distinctions, including the Gloire de l'Escolle medal of the Alumni Association of Université Laval and was named to the Canadian Women's Executive Network's (WXN) top 100 most influential in 2014 and 2016.

## Position of the Board

The Board believes that Manon Brouillette is a quality director because of her extensive experience in information technology management, including the implementation of technology strategies and the integration of technology into business operations and client service activities, acquired in particular through her various senior management positions in a telecommunications company. Her considerable skills and experience acquired throughout her career are great assets for the Board.

Accordingly, the Board recommends that Shareholders vote FOR the election of Manon Brouillette to a position as director.

Roles on the Bank's Board and its committees	Meetings attended (in the past fiscal year)	
Member of the Board <sup>(2)</sup>	10/10	100%
Member of the AC <sup>(2)</sup>	4/4	100%
Member of the HRC <sup>(2)</sup>	3/3	100%
Member of the ITS <sup>(2)</sup>	2/2	100%
<b>Total</b>	<b>19/19</b>	<b>100%</b>

Public corporations	Roles on boards and committees
Director (in the past five years)	(as at October 31, 2020)
Lightspeed POS Inc. 2020 to date	–
Quebecor Inc. 2019 - 2020	–
Altice USA, Inc. 2017 to date	• Member of the Audit Committee • Member of the Compensation Committee
SFR Group 2016 - 2017	–

## YVON CHAREST



## Independent

Age 64

Quebec City, Quebec, Canada

- Director since April 2020
- Voting results in 2020: 99.79% 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 has been a director of iA American Life Insurance Company since May 2019 and has chaired the board of Propulsons Québec vers la modernité (l'aima passe) since November 2019. He has also been Special Advisor to Infrastructure Canada since August 2019. Over the course of his 39-plus year career with Industrial Alliance Insurance and Financial Services Inc., Yvon Charest held positions of increasing responsibility, including President and CEO from 2000 to 2019. He served as Chairman of the Board of Le cercle des présidents du Québec from 2008 to 2016 and as director of the Canadian Life and Health Insurance Association Inc. (CLHIA) from 2010 to 2019. Yvon 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). In 2020, he received the President's Award from the Canadian Institute of Actuaries. In 2016, he was also the recipient of the Most Socially Engaged Executive Officer award from newspaper Les Affaires. He is an Officer of the Order of Canada and Knight of the Ordre national du Québec.

## Position of the Board

The Board believes that Yvon Charest is a quality director because of his extensive experience in financial services, acquired in particular through his many years as President and Chief Executive Officer of a major financial institution. His solid experience in implementing a culture of accountability and transparency in a large organization and his considerable knowledge of the internal risk controls of a public company represent great assets to the Board.

Accordingly, the Board recommends that Shareholders vote FOR the election of Yvon Charest to a position as director.

Roles on the Bank's Board and its committees	Meetings attended (in the past fiscal year)	
Member of the Board <sup>(3)</sup>	10/10	100%
Member of the RMC <sup>(3)</sup>	7/7	100%
Member of the HRC <sup>(3)</sup>	3/3	100%
<b>Total</b>	<b>20/20</b>	<b>100%</b>

Public corporations	Roles on boards and committees
Director (in the past five years)	(as at October 31, 2020)
Industrial Alliance Insurance and Financial Services Inc. 1999 to 2019	–

## 3. Director nominees

## PATRICIA CURADEAU-GROU



**Independent**  
Age 65  
Montreal, Quebec, Canada

- Director since April 2019
- Voting results in 2020: 99.72% 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. since January 2020. She was a board director at Cogeco Communications Inc. from 2012 to 2020, serving on its Audit Committee, Human Resources Committee, and Strategic Opportunities Committee; a board director at Caisse de dépôt et de placement du Québec from 2013 to 2019, serving on its Investment and Risk Management Committee; and a board director at Uni-Sélect Inc. from 2013 to 2018, serving on its Audit Committee and Human Resources and Compensation Committee. From 1991 to 2012, Ms. Curadeau-Grou held several positions at the Bank, notably that of Chief Financial Officer and Executive Vice-President, Finance, Risk and Treasury from 2007 to 2011 and that of Executive Vice-President, Risk Management from 2011 to 2012. She served as Strategic Advisor to the President until her retirement in October 2015. Patricia Curadeau-Grou has a Bachelor of Commerce from McGill University (Finance and Marketing option) and has received the Certified Director designation (ICD.D) from the Institute of Corporate Directors. In 2007, she was inducted into the Women's Executive Network Hall of Fame for Canada's most powerful women.

## Position of the Board

The Board believes that Patricia Curadeau-Grou is a quality director because of her considerable experience in the banking industry, acquired in particular through her various senior management positions. Over the course of her career she has developed expertise in risk oversight and finance, which represent major assets to the Board.

Accordingly, the Board recommends that Shareholders vote FOR the election of Patricia Curadeau-Grou to a position as director.

Roles on the Bank's Board and its committees	Meetings attended (in the past fiscal year)	
Member of the Board	18/18	100%
Member of the RMC	16/18	89%
Member of the CRCGC <sup>(4)</sup>	2/2	100%
<b>Total</b>	<b>36/38</b>	<b>95%</b>

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

## LAURENT FERREIRA



**Non-independent (officer)**  
Age 50  
Westmount, Quebec, Canada

- Director since February 2021

## 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 the Bank's Chief Operating Officer since February 2021. When he was appointed to this position, he had been Executive Vice-President and Co-Head – Financial Markets since November 2018. Laurent Ferreira began his career in 1996 at Bankers Trust and joined the Bank in 1998, where he has held a series of management positions in its subsidiaries, including Executive Vice-President and Managing Director – Derivatives and Equities at National Bank Financial Inc. from January 2015 to November 2018. He serves on the boards of directors of various Bank subsidiaries: NBC Financial Services Inc., NBC Commodities (2015) Inc., Credigy Ltd. and Montreal Acquisitions, LLC. Laurent Ferreira also served on the Board of Directors of Hydro-Québec from December 2014 to March 2019. His involvement in social organizations includes serving as co-chair of the fundraising campaign of the Women's Y Foundation of Montreal. Laurent Ferreira holds a master's degree in Finance from HEC Montréal and a bachelor's degree in Economics from Université du Québec à Montréal.

## Position of the Board

The Board believes that Laurent Ferreira is a quality director because of his recognized experience in the operation and development of financial services, acquired in particular through his various functions at the Bank and its subsidiaries, including as Executive Vice-President and Co-Head – Financial Markets. In addition, his in-depth knowledge of risk oversight, financial markets and banking is a major asset for the Board.

Accordingly, the Board recommends that Shareholders vote FOR the election of Laurent Ferreira to a position as director.

Roles on the Bank's Board and its committees	Meetings attended (in the past fiscal year)	
Member of the Board	–	–%
<b>Total</b>	<b>–</b>	<b>–%</b>

Public corporations		Roles on boards and committees
Director (in the past five years)		(as at October 31, 2020)
–	–	–

## 3. Director nominees

## JEAN HOUDE



## Independent

Age 75

Montreal, Quebec, Canada

- Director since March 2011
- Voting results in 2020: 99.24% 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 Chairman of the Board since April 2014. He has also been a member of the board of directors of the Institut du Québec since May 2020 and a member of the board of directors of the Montreal Museum of Fine Arts since September 2019. He was Chairman of the board of directors of Énergir Inc. from December 2011 to November 2020 and a member of its Human Resources and Corporate Governance Committee, which he chaired from 2012 to December 2017. From 2010 to 2014, he was Chairman of the board of directors of Finance Montréal – La grappe financière du Québec and, from 2012 to 2014, he was Vice-Chairman of the board of directors of IOA Groupe Holding and a member of its Audit and Human Resources committees. From 2010 to January 2011, he was a business development advisor at accounting firm Samson Bélaïr/Deloitte & Touche LLP. From 2005 to 2009, he was Deputy Minister of Finance of Quebec. Prior to that, he was Chairman of the board of directors and Chief Executive Officer of Investissement Québec. From 1990 to 2003, Jean Houde held several positions at the Bank, including Senior Vice-President, Human Resources, Senior Vice-President, Personal Banking and Senior Vice-President, Corporate Affairs, the position he held when he left. He has a law degree and an MBA 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*.

## Position of the Board

The Board believes that Jean Houde is a quality director because of the depth of his experience in finance, acquired throughout his career in public and private companies as well as in government bodies. His extensive experience in strategic guidance and coaching, acquired in particular in various duties as the chair of boards of directors, represents a great asset to the Board.

Accordingly, the Board recommends that Shareholders vote FOR the election of Jean Houde to a position as director.

Roles on the Bank's Board and its committees	Meetings attended (in the past fiscal year)	Public corporations	Roles on boards and committees
Chairman and member of the Board	18/18	Director (in the past five years)	(as at October 31, 2020)
Member of the CRGCG	4/4	Énergir Inc.	2012 to 2020
<b>Total</b>	<b>22/22</b>		<ul style="list-style-type: none"> <li>• Chairman of the Board</li> <li>• Member of the Human Resources and Corporate Governance Committee</li> </ul>

## KAREN KINSLEY



## Independent

Age 64

Ottawa, Ontario, Canada

- Director since December 2014
- Voting results in 2020: 99.83% 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 boards of directors, including that of Saputo Inc., since May 2015. She is also a corporate director of Choice Properties Real Estate Investment Trust since May 2018 and Chair of the Audit Committee since April 2020. From May 2017 to May 2018, she was a director at the Canadian Real Estate Investment Trust<sup>(5)</sup>. Throughout her 25-year career with Canada Mortgage and Housing Corporation, Canada's housing authority, she held positions of increasing responsibility, including that of President and Chief Executive Officer from 2003 to 2013. Karen Kinsley has a Bachelor's degree in Commerce from the University of Ottawa. She is a Fellow of the Chartered Professional Accountants of Ontario and has received the Certified Director designation (ICD.D) from the Institute of Corporate Directors.

## Position of the Board

The Board believes that Karen Kinsley is a quality director because of her considerable experience in banking, real estate and finance, acquired in particular through various executive positions at a Crown corporation. In addition, her accounting expertise represents a great asset to the Board.

Accordingly, the Board recommends that Shareholders vote FOR the election of Karen Kinsley to a position as director.

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	18/18	Director (in the past five years)	(as at October 31, 2020)
Chair and member of the AC	6/6	Choice Properties Real Estate Investment Trust	2018 to date
Member of the RMC	18/18	Saputo Inc.	2015 to date
<b>Total</b>	<b>42/42</b>		<ul style="list-style-type: none"> <li>• Chair of the Audit Committee</li> <li>• Member of the Audit Committee</li> </ul>
		Canadian Real Estate Investment Trust <sup>(5)</sup>	2017 - 2018

## 3. Director nominees

## REBECCA MCKILLICAN



## Independent

Age 41

Oakville, Ontario, Canada

- Director since October 2017
- Voting results in 2020: 99.73% 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 held the position of President, Retail Solutions (since October 2019). From March 2013 to October 2019, she served as President and Chief Executive Officer of Well.ca Inc., a leading e-commerce health and wellness company. From 2007 to 2012, she also held the position of senior advisor to the specialized operations department within the retail and consumer group of the private equity firm Kohlberg, Kravis & Roberts & Co., where she worked on improving operations of the portfolio companies, including ESG initiatives. From 2003 to 2005, Rebecca McKillican worked at McKinsey & Company as a business analyst, examining various business challenges. She has a Bachelor of Business Administration (BBA) from the Ivey Business School, a Bachelor of Software Engineering from Western University, and an MBA from Harvard Business School.

## Position of the Board

The Board believes that Rebecca McKillican is a quality director because of her solid experience developing and implementing strategies to enhance customer satisfaction and improve the client experience, particularly through the offering of digital services. In addition, her knowledge of corporate responsibility and sustainable development practices represent great assets to the Board.

Accordingly, the Board recommends that Shareholders vote FOR the election of Rebecca McKillican to a position as director.

Roles on the Bank's Board and its committees	Meetings attended (in the past fiscal year)	
Member of the Board	18/18	100%
Member of the HRC	6/6	100%
Member of the ITC <sup>(6)</sup>	2/2	100%
<b>Total</b>	<b>26/26</b>	<b>100%</b>

Public corporations (in the past five years)	Roles on boards and committees (as at October 31, 2020)
Director	
–	–

## ROBERT PARÉ



## Independent

Age 66

Westmount, Quebec, Canada

- Director since April 2018
- Voting results in 2020: 99.15% 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 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 board director at Quebecor Inc. since June 2014, at the Institute of Corporate Directors since September 2018, for which he was a director of the Quebec Chapter from 2010 to 2018, and at ADF Group Inc. from December 2009 to June 2019. Robert Paré has more than 40 years of experience in business law, particularly in the areas of capital markets, mergers and acquisitions, and corporate governance. He has been a director for several other companies, including Essilor Group Canada Inc., <sup>(7)</sup> Groupe BMT Inc., and Rona Inc., where he served on the Nominating and Governance Committee from April 2009 to May 2016, and on the Human Resources and Compensation Committee from May 2012 to May 2016. Robert Paré has a Bachelor's degree in Law from Université Laval. He is a member of the Quebec Bar.

## Position of the Board

The Board believes that Robert Paré is a quality director due to his solid expertise in business law, securities and corporate governance. In addition, his extensive experience as a director of several large corporations represents a great asset to the Board.

Accordingly, the Board recommends that Shareholders vote FOR the election of Robert Paré to a position as director.

Roles on the Bank's Board and its committees	Meetings attended (in the past fiscal year)	
Member of the Board	18/18	100%
Member of the CRCGC	4/4	100%
<b>Total</b>	<b>22/22</b>	<b>100%</b>

Public corporations	Roles on boards and committees (as at October 31, 2020)
Director	
(in the past five years)	
Quebecor Inc.	2014 to date
–	–
ADF Group Inc.	2009 - 2019
–	–
Rona Inc.	2009 - 2016
–	–

## 3. Director nominees

## LINO A. SAPUTO



## Independent

Age 54  
Montreal, Quebec, Canada

- Director since April 2012
- Voting results in 2020:  
98.81% FOR

## SUMMARY OF PROFESSIONAL EXPERIENCE

Main areas of expertise:

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

Since August 2017, Lino A. Saputo has been Chairman of the board and Chief Executive Officer of Saputo Inc., one of the world's largest dairy processors. At the time of his appointment, he held the positions of President and Chief Executive Officer (since March 2004) and of Vice-Chairman of the Board (since August 2011). He was a member of the board of directors of Transcontinental Inc. from February 2008 to March 2017 and of its Human Resources and Compensation Committee from February 2011 to March 2017. He is involved with a number of charitable organizations, and in July 2011 he co-founded the Amelia & Lino Saputo Jr. Foundation. Since November 2017, he has been Co-Chair of the Campaign for Concordia, and, from July 2018 to December 2020, he was Chair of the board of directors of the Montreal Heart Institute Foundation. He was named the 2019 CEO of the Year by Canada's Outstanding CEO of the Year program. He holds a Bachelor's degree in Political Science from Concordia University.

## Position of the Board

The Board believes that Lino A. Saputo is a quality director because of his longstanding duties as a business executive, in which he has acquired in-depth knowledge of client relations, improving the client experience, and implementing corporate responsibility practices and sustainable development strategies, among other things. Lino A. Saputo's knowledge in various fields represent a major asset to the Board.

Accordingly, the Board recommends that Shareholders vote FOR the election of Lino A. Saputo to a position as director.

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, 2020)
Member of the Board	18/18	Saputo Inc. 2001 to date	• Chairman of the Board of Directors
Chair and member of the CRCGC	4/4	Transcontinental Inc. 2008 - 2017	–
Member of the RMC	18/18		
<b>Total</b>	<b>40/40</b>		

## ANDRÉE SAVOIE



## Independent

Age 49  
Dieppe, New Brunswick, Canada

- Director since April 2015
- Voting results in 2020:  
99.27% FOR

## SUMMARY OF PROFESSIONAL EXPERIENCE

Main areas of expertise:

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

Andrée Savoie has been President and Chair of the board of directors of Acadian Properties Ltd., a commercial real estate developer and property management company in the Maritime Provinces, since June 2016, and for which she was previously the Managing Director. From January 2007 to December 2015, she was President and Managing Director of Acadian Construction (1991) Ltd. Since 2020, she has been a director of the board of Opportunities New Brunswick and since 2011, she has been a director of the board of Assumption Mutual Life Insurance Company, where she also served on the Audit and Review Committee from February 2011 to February 2015, the Investments Committee from February 2011 to February 2019, and the Human Resources Committee from February 2016 to February 2019. She has also served as vice-chair of the board from February 2018 to February 2019, when she was appointed chair of the board and chair of the Governance Committee on February 22, 2019. Since 2015, she has sat on the board of directors of the Greater Moncton YMCA Foundation Inc., serving as vice-chair since April 2017. Andrée Savoie is Co-Founder of Crossroads 250<sup>00</sup>, an annual fundraising event in support of women and children living in situations of domestic violence. She has 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 the Certified Director designation (ICD.D) from the Institute of Corporate Directors.

## Position of the Board

The Board believes that Andrée Savoie is a quality director because of her considerable experience in developing and overseeing the growth of long-term business operations, acquired in particular through various duties as a member of senior management. In addition, her knowledge of governance principles and practices, as well as social and environmental measures, represent great assets to the Board.

Accordingly, the Board recommends that Shareholders vote FOR the election of Andrée Savoie to a position as director.

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, 2020)
Member of the Board	18/18	–	–
Member of the AC	6/6		
Member of the CRCGC	4/4		
<b>Total</b>	<b>28/28</b>		

## 3. Director nominees

**MACKY TALL**

**Independent**  
Age 52  
Westmount, Quebec, Canada

- New nominee

**SUMMARY OF PROFESSIONAL EXPERIENCE**

Main areas of expertise:

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

Effective April 2, 2021, Macky Tall will be Co-Chair of the Infrastructure Group of The Carlyle Group Inc., a global investment company. He has been a member of the Board of Directors of the Chamber of Commerce of Metropolitan Montreal since 2019, a member of the Infrastructure Advisory Board of Global Affairs Canada since 2014, and a member of the Investment Committee of the United Nations Joint Staff Pension Fund since 2020. During his 16-year career with the Caisse de dépôt et placement du Québec, Macky Tall held positions of ever greater responsibility, including Head of Real Assets and Private Equity, CDPO from April 2020 to December 2020 and President and Chief Executive Officer, CDPO Infra, from July 2015 to December 2020. Committed to charitable organizations, in 2020 he was Co-Chair of 4th edition of La Grande séduction of the Fondation du centre Jeunesse de Montréal. Macky Tall holds a Bachelor's degree in Business Administration (Finance) from HEC Montréal and an MBA (Finance) from the University of Ottawa. He also completed an undergraduate degree in Economics at Université de Montréal.

**Position of the Board**

The Board believes that Macky Tall is a quality director because of his extensive experience in finance, business and risk management, acquired in particular through various senior management positions in major investment companies and government institutions. Over the course of his career, he has developed expertise in the implementation of environmental measures and sustainable development strategies, and this represents a major asset to the Board.

Accordingly, the Board recommends that Shareholders vote FOR the election of Macky Tall to a position as director.

Roles on the Bank's Board and its committees	Meetings attended (in the past fiscal year)	Public corporations	Roles on boards and committees
New nominee	–	Director (in the past five years)	(as at October 31, 2020)
		–	–

**PIERRE THABET**

**Independent**  
Age 63  
Saint-Georges, Quebec, Canada

- Director since March 2011
- Voting results in 2020: 99.83% 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 Canadian 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. and also served 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 entrepreneur coach at the École d'Entrepreneurship de Beauce, a school dedicated to training entrepreneurs in all industries. He has a Bachelor's degree in Administration, specializing in Accounting, from the Université de Moncton.

**Position of the Board**

The Board believes that Pierre Thabet is a quality director because of his considerable experience in developing and overseeing the growth of long-term business operations, acquired in particular through his various duties as a member of senior management. In addition, his accounting and risk oversight expertise represent great assets to the Board.

Accordingly, the Board recommends that Shareholders vote FOR the election of Pierre Thabet to a position as director.

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	18/18	100%	Director (in the past five years)
Member of the AC	6/6	100%	(as at October 31, 2020)
Chair and member of the RMC	18/18	100%	Canam Group Inc. <sup>(9)</sup> 2006 - 2017
<b>Total</b>	<b>42/42</b>	<b>100%</b>	–

## 3. Director nominees

## LOUIS VACHON



Non-independent  
(officer)

Age 58

Beaconsfield, Quebec, Canada

- Director since August 2006
- Voting results in 2020:  
99.53% FOR

## SUMMARY OF PROFESSIONAL EXPERIENCE

Main areas of expertise:

- Entrepreneurship and Strategic Leadership
- Governance and Corporate Culture
- Financial Markets and Banking Services
- Risk Oversight

Louis Vachon has been President and Chief Executive Officer of the Bank since June 2007. He began his career in 1985 with Citibank Canada and in 1986 joined Lévesque Beaubien Geoffroy Inc., now National Bank Financial Inc., where he served as Vice-President until 1990. From 1990 to 1996, he was employed by BT Bank of Canada, the Canadian subsidiary of Bankers Trust, where he served as President and Chief Executive Officer from 1994 to 1996. In 1996, Louis Vachon returned to the Bank, where he held a series of management positions for both the Bank and its subsidiaries until his appointment to President and Chief Executive Officer in 2007. Louis Vachon is a member of the board of directors of National Bank Acquisition Holding Inc., a subsidiary of the Bank. He is also involved with many social and cultural organizations. Louis Vachon has a Bachelor's degree in Economics from Bates College and a Master's degree in International Finance from the Fletcher School (Tufts University). He is also a CFA. He was awarded an honorary doctorate by the University of Ottawa, Bishop's University, Ryerson University, and Concordia University. In 2014, he was named CEO of the Year by Canadian Business magazine, and Financial Personality of the Year by the business publication *Finance et Investissement* in 2012 and 2014. He received the Global Citizens Award from the United Nations Association in Canada, is a Member of the Order of Canada and the Ordre de Montréal as well as an Officer of the Ordre national du Québec, and he was appointed Lieutenant-Colonel (H) of Les Fusiliers Mont-Royal.

## Position of the Board

The Board believes that Louis Vachon is a quality director because of his extensive experience in banking and finance, acquired in particular through various senior management positions, including his many years as President and Chief Executive Officer of the Bank. His in-depth knowledge of risk and capital market oversight and his extensive experience in strategic direction represent great assets to the Board.

Accordingly, the Board recommends that Shareholders vote FOR the election of Louis Vachon to a position as director.

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	18/18	Director (in the past five years)	(as at October 31, 2020)
<b>Total</b>	<b>18/18</b>	Molson Coors Brewing Company	• Chairman of the Finance Committee
		Fiera Capital Corporation	–
			2012 to date
			2012 - 2017

## Notes on the tables of director nominees

- (1) Pierre Blouin was appointed Chair of the Information Technology Subcommittee on April 24, 2020.
- (2) Manon Brouillette was appointed a member of the Board of Directors, member of the Audit Committee, member of the Human Resources Committee and member of the Information Technology Subcommittee on April 24, 2020.
- (3) Yvon Charest was appointed a member of the Board of Directors, member of the Risk Management Committee and member of the Human Resources Committee on April 24, 2020.
- (4) Patricia Curadeau-Grou was appointed a member of the Conduct Review and Corporate Governance Committee on April 24, 2020.
- (5) On May 4, 2018, Canadian Real Estate Investment Trust and Choice Properties Real Estate Investment Trust entered into an agreement for the purposes of a business combination. The combined entity operates under the corporate name Choice Properties Real Estate Investment Trust.
- (6) Rebecca McKillican was appointed a member of the Information Technology Subcommittee on April 24, 2020.
- (7) On January 1, 2020, Essilor Group Canada Inc. and EssilorLuxottica Canada Inc. were amalgamated.
- (8) The Crossroads 250 event is now known under the name Rock Run Atlantic.
- (9) Canam Group Inc. ceased being a public company on July 5, 2017.

## Additional information about the director nominees

To the knowledge of the Bank, no director nominee is, at the date of this Circular, or has been, during the 10 years prior to the date of this Circular, a director or executive officer of any company, including the Bank, that, while the nominee was acting in such capacity or within a year of the nominee ceasing to act in such capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to, or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets, except for:

- Manon Brouillette, who until November 24, 2020 was a member of the Board of Directors of Cirque du Soleil Canada inc., a company that filed for protection under the *Companies' Creditors Arrangement Act* (Canada) on July 24, 2020 as a result of the impact of the COVID-19 pandemic. An acquisition transaction by existing secured creditors was approved by the Quebec Superior Court on October 26, 2020 and closed on November 24, 2020, when the external directors resigned.

# 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 the 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, more specifically, other comparable financial institutions.

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 described in [Section 7](#) of the Circular

### Align the interests of the 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

## 4. Director compensation

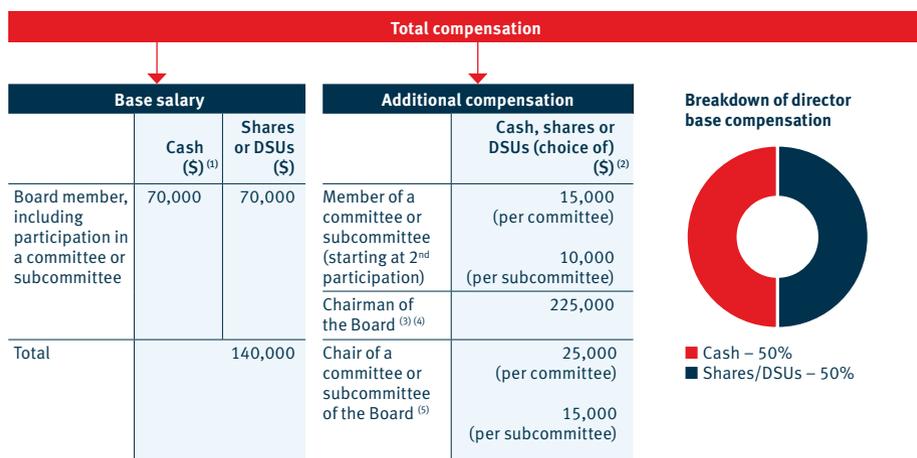
**COMPENSATION PROGRAM**

Following the creation of the Information Technology Subcommittee on April 24, 2020, the Board approved the following amendment to the program, which came into effect on August 1, 2020.

**Addition of member compensation and compensation of the Chair of the Information Technology Subcommittee:**

	Compensation	Condition
Member	\$10,000	To the extent that it is the member's 2 <sup>nd</sup> committee and more
Chair	\$15,000	

Other than this amendment, no changes were made to directors' compensation during fiscal 2020. The components of the program are described below.



- (1) Aside from the portion of their base salary that must be paid in Common Shares or DSUs, directors may elect to receive the cash portion of their compensation in the form of cash, Common Shares, DSUs or a combination of all three, provided the share ownership requirements are met.
- (2) The compensation payable to committee and subcommittee members and Chairs may, by choice, be paid in cash, Common Shares, DSUs, or a combination of all three, provided the share ownership requirements are met.
- (3) The Chairman of the Board receives compensation in his roles as a member of the Board and as Chairman of the Board.
- (4) 25% of the total compensation paid to the Chairman of the Board must be in the form of Common Shares or DSUs, whichever he prefers.
- (5) The Chairs of the committees and the Chair of the subcommittee receive compensation in their roles as chairs and as committee members.

**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 requirement has 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 requirements in this regard have been met.

## 4. Director compensation

WHAT IS A DEFERRED SHARE UNIT (DSU)?	REQUIREMENTS	MINIMUM REQUIRED
<p>A deferred share unit is a right, measured quarterly, and the value of which 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.</p> <ul style="list-style-type: none"> <li>Vested DSUs may be cashed only when the director leaves all the positions he or she held as a director of the Bank.</li> <li>The units must be cashed no later than the end of the calendar year following the year in which the director leaves his or her duties.</li> </ul>	<p>Total value is equal to or greater than eight times the base compensation payable to directors in the form of Common Shares or DSUs</p>	<p>8 X \$70,000 = \$560,000</p>
	<p>Minimum share ownership requirement based on the closing price of the Common Shares of the Bank on the Toronto Stock Exchange on February 24, 2020</p>	<p>\$560,000 / \$79.48 = 7,046 Common Shares or DSUs</p>

The following table presents the shareholdings of all the director nominees in accordance with share ownership requirements:

Total shareholdings of director nominees		
	February 24, 2021	February 27, 2020
Common Shares	873,919	634,604
DSUs	150,568	138,610
Value (\$)	81,426,227	54,844,069

The total value of Common Shares and deferred share units held by director nominees is calculated by multiplying the number of Common Shares and deferred share units held by each nominee on February 27, 2020 and February 24, 2021, by the closing price of the Bank's Common Shares on the Toronto Stock Exchange at the close of markets on February 27, 2020, and February 24, 2021, i.e., \$70.93 and \$79.48, respectively.

The following table provides a description of each director's shareholdings in accordance with share ownership requirements:

Securities held							Minimum required		Meets the Bank's share ownership requirements for directors
Year <sup>(1)</sup>	Total Common Shares <sup>(2)</sup>	Total DSUs	Total Common Shares and DSUs	Share price <sup>(3)</sup> (\$)	Total market value of Common Shares and DSUs (\$)	(\$)	Shares/ DSUs		
<b>Maryse Bertrand</b>									
2020	5,726	23,797	29,523	79.48	2,346,488	560,000	7,046	419.0%	Yes
2019	5,543	20,389	25,932	70.93	1,839,357	560,000	7,895	328.5%	Yes
<b>Pierre Blouin</b>									
2020	0	11,673	11,673	79.48	927,770	560,000	7,046	165.7%	Yes
2019	0	8,593	8,593	70.93	609,501	560,000	7,895	108.8%	Yes
<b>Pierre Boivin</b>									
2020	17,813	18,082	35,895	79.48	2,852,935	560,000	7,046	509.4%	Yes
2019	14,910	14,772	29,682	70.93	2,105,344	560,000	7,895	375.9%	Yes
<b>Manon Brouillette</b>									
2020	770	567	1,337	79.48	106,265	560,000	7,046	19.0%	– <sup>(4)</sup>
2019	0	0	0	70.93	0	560,000	7,895	0%	– <sup>(4)</sup>
<b>Yvon Charest</b>									
2020	13,456	0	13,456	79.48	1,069,483	560,000	7,046	191.0%	Yes
2019	0	0	0	70.93	0	560,000	7,895	0%	– <sup>(5)</sup>
<b>Patricia Curadeau-Grou</b>									
2020	21,514	4,093	25,607	79.48	2,035,244	560,000	7,046	363.4%	Yes
2019	21,514	1,615	23,129	70.93	1,640,540	560,000	7,895	292.9%	Yes
<b>Jean Houde</b>									
2020	15,286	8,963	24,249	79.48	1,927,311	560,000	7,046	344.2%	Yes
2019	15,085	7,091	22,176	70.93	1,572,944	560,000	7,895	280.8%	Yes

## 4. Director compensation

Year <sup>(1)</sup>	Total Common Shares <sup>(2)</sup>	Total DSUs	Total Common Shares and DSUs	Share price <sup>(3)</sup> (\$)	Total market value of Common Shares and DSUs (\$)	Minimum required		Meets the Bank's share ownership requirements for directors	
						(\$)	Shares/ DSUs		
<b>Karen Kinsley</b>									
2020	9,078	11,444	20,522	79.48	1,631,089	560,000	7,046	291.3%	Yes
2019	9,078	9,874	18,952	70.93	1,344,265	560,000	7,895	240.0%	Yes
<b>Rebecca McKillican</b>									
2020	0	7,705	7,705	79.48	612,393	560,000	7,046	109.4%	Yes
2019	0	5,163	5,163	70.93	366,212	560,000	7,895	65.4%	– <sup>(4)</sup>
<b>Robert Paré</b>									
2020	8,461	6,385	14,846	79.48	1,179,960	560,000	7,046	210.7%	Yes
2019	8,461	3,969	12,430	70.93	881,660	560,000	7,895	157.4%	Yes
<b>Lino A. Saputo</b>									
2020	73,088	20,922	94,010	79.48	7,471,915	560,000	7,046	1,334.3%	Yes
2019	72,910	17,259	90,169	70.93	6,395,687	560,000	7,895	1,142.1%	Yes
<b>Andrée Savoie</b>									
2020	3,367	14,140	17,507	79.48	1,391,456	560,000	7,046	248.5%	Yes
2019	3,315	11,156	14,471	70.93	1,026,428	560,000	7,895	183.3%	Yes
<b>Macky Tall</b>									
2020	0	0	0	79.48	0	560,000	7,046	0%	– <sup>(7)</sup>
<b>Pierre Thabet</b>									
2020	361,291	22,797	384,088	79.48	30,527,314	560,000	7,046	5,451.3%	Yes
2019	215,844	19,052	234,896	70.93	16,661,173	560,000	7,895	2,975.3%	Yes

## Securities held

Year <sup>(1)</sup>	Total Common Shares <sup>(2)</sup>	Share price <sup>(3)</sup> (\$)	Total market value of Common Shares and DSUs (\$)	Meets the Bank's share ownership requirements for directors
<b>Louis Vachon<sup>(8)</sup></b>				
2020	297,669	79.48	23,658,732	Yes
2019	265,826	70.93	18,855,038	Yes
<b>Laurent Ferreira<sup>(9)</sup></b>				
2020	46,400	79.48	3,687,872	Yes

- (1) This information reflects the situation as at February 24, 2021 (for fiscal 2020) and as at February 27, 2020 (for fiscal 2019).
- (2) 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.
- (3) These amounts represent the share price of the Bank's Common Shares on the Toronto Stock Exchange, at the close of trading on February 24, 2021 (for fiscal 2020) and at the close of trading on February 27, 2020 (for fiscal 2019).
- (4) Manon Brouillette has a five-year grace period from the date of her appointment as Bank director on April 24, 2020 to meet the share ownership requirements for directors.
- (5) Yvon Charest has a five-year grace period from the date of his appointment as a Bank director on April 24, 2020 to meet the share ownership requirements for directors.
- (6) Rebecca McKillican has a five-year grace period from the date of her appointment as Bank director on October 1, 2017 to meet the share ownership requirements for directors.
- (7) If he is elected as director, Macky Tall will have a five-year grace period from the date of his appointment as Bank director on April 23, 2021 to meet the share ownership requirements for directors.
- (8) As an executive director of the Bank, Louis Vachon does not receive any compensation for participating in the activities of the Board and its committees. For more information about Louis Vachon's compensation as President and Chief Executive Officer of the Bank, including the values of his PSUs, RSUs and options, refer to Section 7 of the Circular.
- (9) As an executive director of the Bank, Laurent Ferreira does not receive any compensation for participating in the activities of the Board and its committees. For more information about Laurent Ferreira's compensation, including the values of his PSUs, RSUs and options, refer to Section 7 of the Circular.

## 4. Director compensation

**OTHER INFORMATION REGARDING 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 promotion 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 the President and Chief Executive Officer, who is compensated for his duties as an Executive Officer 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 or offset a decrease in market value of equity securities granted as compensation or held directly or indirectly by the director, officer or employee, or to cancel such a decrease.

## 4. Director compensation

The following table presents compensation paid to the directors of the Bank serving on the Board of Directors and the Board's committees and subcommittee for the fiscal year ended October 31, 2020

Name	Fees earned (\$) <sup>(1)</sup>		Share-based awards (\$) <sup>(2)</sup>				Total compensation for Board and committee activities (\$) <sup>(3)</sup>	Breakdown of total compensation for activities of the Board and its committees and subcommittee <sup>(5)</sup>
	As a Board member <sup>(3)</sup>	As a committee member <sup>(4)</sup>	As a Board member <sup>(3)</sup>		As a committee member <sup>(4)</sup>			
	Cash	Cash	Common Shares	DSUs	Common Shares	DSUs		
Raymond Bachand RMC, CRCGC	70,000	7,500	70,000		7,500		155,000	50% in cash and 50% in shares
Maryse Bertrand AC, HRC				140,000		15,000	155,000	100% in DSUs
Pierre Blouin <sup>(6)</sup> AC, HRC, ITS (C)				140,000		22,500 <sup>(7)</sup>	162,500	100% in DSUs
Pierre Boivin HRC (C)				140,000		25,000 <sup>(7)</sup>	165,000	100% in DSUs
Manon Brouillette <sup>(8)</sup> AC, HRC, ITS			72,722		10,292		83,014	100% in shares
Yvon Charest <sup>(9)</sup> RMC, HRC			72,722		7,792		80,514	100% in shares
Patricia Curadeau-Grou <sup>(10)</sup> RMC, CRCGC				140,000		7,792	147,792	100% in DSUs
Gillian H. Denham <sup>(11)</sup> HRC	33,833			33,833			67,667	50% in cash and 50% in DSUs
Jean Houde Chairman of the Board CRCGC	268,000 <sup>(12)</sup>			97,000 <sup>(12)</sup>			365,000	73% in cash and 27% in DSUs <sup>(13)</sup>
Karen Kinsley AC (C), RMC	70,000	40,000 <sup>(7)</sup>		70,000 <sup>(7)</sup>			180,000	61% in cash and 39% in DSUs
Rebecca McKillican <sup>(14)</sup> HRC, ITS				140,000		2,500	140,000	100% in DSUs
Robert Paré RMC				140,000			140,000	100% in DSUs
Lino A. Saputo RMC, CRCGC (C)				140,000		40,000 <sup>(7)</sup>	180,000	100% in DSUs
Andrée Savoie AC, CRCGC				140,000		15,000	155,000	100% in DSUs
Pierre Thabet RMC (C), AC				140,000		40,000 <sup>(7)</sup>	180,000	100% in DSUs
Louis Vachon <sup>(15)</sup>	–		–	–			–	–
<b>Total</b>							<b>2,356,487</b>	

(C) Committee Chair

#### 4. Director compensation

- (1) For the purposes of this table, the term “fees” includes all fees awarded, earned, paid, or payable in cash, in particular annual compensation, fees for participating on a Board committee or subcommittee, and for chairing the Board or one of its committee or subcommittee.
- (2) For the purposes of this table, the term “share-based awards” includes the portion of director compensation paid in Common Shares or deferred share units, 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., \$73.25 on February 20, 2020; \$52.35 on May 21, 2020; \$66.44 on August 19, 2020; and \$70.16 on November 18, 2020. The number of deferred share units granted is determined by dividing the amount paid by the Bank’s Common Share price at the time of each quarterly grant, i.e., \$73.76 on February 15, 2020, \$51.38 on May 15, 2020, \$66.50 on August 15, 2020 and \$69.95 on November 15, 2020.
- (3) For the year ended October 31, 2020, the annual compensation paid for service on the Board of Directors totalled \$140,000, of which \$70,000 was paid in the form of Common Shares or deferred share units, and \$70,000 was paid, at the director’s choice, in the form of cash, Common Shares, deferred share units or a combination of all three. Furthermore, the annual compensation paid to a director for services to the Board of the Bank also includes the participation on a committee or subcommittee. For more information on this topic, refer to the “Compensation Program” heading in this section of the Circular.
- (4) The annual compensation paid to Board committee or subcommittee members is additional compensation paid for serving on more than one Board committee. For more information on this topic, refer to the “Compensation Program” heading in this section of the Circular.
- (5) This column represents breakdowns in cash, Shares and deferred share units of the total compensation of the directors according to their elections on the portion of the basic compensation paid mandatorily in Common Shares or deferred share units, on the portion of their basic compensation payable in cash and on their additional compensation payable in cash, in Common Shares, in deferred share units or in a combination of the three when they were paid compensation payable for the activities of the Board and its committees or subcommittee during the fiscal year ended October 31, 2020.
- (6) Pierre Blouin was appointed Chair of the Information Technology Subcommittee on April 24, 2020. Compensation for the Information Technology Subcommittee became effective on August 1, 2020; his compensation has been prorated accordingly.
- (7) Includes compensation as Committee or Subcommittee Chair.
- (8) Manon Brouillette was appointed member of the Board, of the Audit Committee, of the Human Resources Committee, and of the Information Technology Subcommittee on April 24, 2020. Her compensation has been prorated accordingly, except for her compensation as a member of the Information Technology Subcommittee. Compensation for the Information Technology Subcommittee became effective on August 1, 2020. Her compensation has been prorated accordingly.
- (9) Yvon Charest was appointed member of the Board, of the Risk Management Committee and of the Human Resources Committee on April 24, 2020. His compensation has been prorated accordingly.
- (10) Patricia Curadeau-Grou was appointed member of the Conduct Review and Corporate Governance Committee on April 24, 2020. Her compensation has been prorated accordingly.
- (11) Gillian H. Denham ceased being a member of the Board and of the Human Resources Committee on April 24, 2020. Her compensation has been prorated accordingly.
- (12) Includes compensation as Chairman of the Board.
- (13) Jean Houde elected to receive the cash portion of his compensation for Board, committee and subcommittee activities in the form of cash while also meeting his obligation, as Chairman of the Board, to receive 25% of his total compensation in the form of, at his discretion, Common Shares or deferred share units.
- (14) Rebecca McKillican was appointed member of the Information Technology Subcommittee on April 24, 2020. Compensation for the Information Technology Subcommittee became effective on August 1, 2020. Her compensation has been prorated accordingly.
- (15) As a Bank officer, Louis Vachon receives no compensation as a director of the Bank. For more information about Louis Vachon’s compensation, including the values of his performance share units, restricted share units, 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 interests of Shareholders
- **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

Through these policies and procedures, 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 the foundation for good business and benefits the Bank’s clients, employees and Shareholders and the communities it serves.

### BOARD OF DIRECTORS

#### **Roles and responsibilities**

The Board’s responsibilities are based on its duty to monitor and make decisions. To this end, it is responsible, in particular, for overseeing the management of the Bank’s commercial and internal affairs and establishes strategic directions in conjunction with management, which in turn ensures the day-to-day management of activities through the President and Chief Executive Officer. Accordingly, the Board is also responsible for advising and guiding senior management and challenging its decisions, strategies and policies.

## 5. Governance practices

### 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 that of its Chairman. It periodically assesses and reviews the mandates to ensure they remain compliant with applicable legislation and best practices and adequately reflect the duties and responsibilities of the Board and its Chairman.

### The Board's main achievements

It should come as no surprise that, during this unprecedented year, the work of the Board and its committees was largely focused on the impacts of COVID-19. In response to the pandemic, the Board's oversight role in crisis management, risk assessment and management, and strategic planning takes on added importance, while remaining true to the Bank's One Mission and values. The priorities have been the health and well-being of employees, as well as ensuring the continuous and safe delivery of essential services to the Bank's clients. The Board and its committees also held special meetings on this subject in order to be better able to advise management on how to respond to the pandemic.

The Board believes that it has fulfilled its duties in accordance with its mandate. In fiscal 2020, the Board notably:

### Main achievements

<b>Strategy and objectives</b>	<ul style="list-style-type: none"> <li>✓ <b>Regularly discussed</b> with the President and Chief Executive Officer, Other Executive Officers and Officers about impacts related to the COVID-19 pandemic and the measures in place to protect the health of employees, clients and the Bank's other stakeholders</li> <li>✓ <b>Regularly discussed</b> strategic initiatives on a regular basis with the President and Chief Executive Officer, Other Executive Officers and Officers, in particular growth opportunities, customer interest in new digital solutions, acquisition of new customers, data management, technological change, organizational transformation and the impact of the economic and political framework</li> <li>✓ <b>Reviewed</b> the business plan, capital strategy, operating and financing budgets and targets to be achieved</li> <li>✓ <b>Approved</b> an expanded scope of the Legislative Covered Bond program</li> <li>✓ <b>Approved</b> an increase to the international investment envelope</li> <li>✓ <b>Regularly discussed</b> with Executive Officers about the business plans for their business areas as well as about their achievements and objectives</li> <li>✓ <b>Participated</b> in the Bank's Strategic Planning Day to speak with the President and Chief Executive Officer as well as with the Other Executive Officers and Officers about the current business plan, risks, and challenges facing the Bank, investor relations, organizational culture and acquisition strategies for certain customer segments</li> </ul>
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<b>Main achievements (continued)</b>	
<b>Risk management</b>	<ul style="list-style-type: none"> <li>✓ <b>Reviewed</b> and <b>approved</b> the Bank’s risk appetite framework, in particular the risk appetite statements, measures and targets</li> <li>✓ <b>Conducted</b> a quarterly review of the Executive Vice-President – Information Technology’s activity report, including cybersecurity and technology risk management</li> </ul>
<b>Financial reporting</b>	<ul style="list-style-type: none"> <li>✓ <b>Reviewed</b> and <b>approved</b> the dividend declaration proposals</li> <li>✓ <b>Reviewed</b> and <b>approved</b> 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</li> <li>✓ <b>Approved</b> the appointment and compensation of the independent auditor</li> <li>✓ <b>Approved</b> the report prepared by the Task Force on Climate-Related Financial Disclosures (TCFD)</li> </ul>
<b>Management, performance, and compensation</b>	<ul style="list-style-type: none"> <li>✓ <b>Assessed</b> 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</li> <li>✓ <b>Received</b> the President and Chief Executive Officer’s report on the performance of the Other Executive Officers and approved their compensation</li> <li>✓ <b>Received</b> the reports from the risk management, audit, and human resources committees on the performance of the Chief Compliance Officer and the Senior Vice-President – Internal Audit, and approved their compensation</li> <li>✓ <b>Approved</b> the revision of certain administrative aspects of the medium and long-term incentive plans</li> </ul>
<b>Succession planning</b>	<ul style="list-style-type: none"> <li>✓ <b>Approved</b> an update to the succession and development plans of the Bank’s President and Chief Executive Officer, the Other Executive Officers, and Officers</li> <li>✓ <b>Approved</b> an update to the succession plan of the President and Chief Executive Officer in case of emergency</li> <li>✓ <b>Reviewed</b> and <b>approved</b> the appointments of new Executive Officers</li> </ul>
<b>Compliance with legislation, regulations and policies</b>	<ul style="list-style-type: none"> <li>✓ <b>Reviewed</b> and <b>approved</b> the Management Proxy Circular and the proxy form for the Annual Meeting of the Holders of Common Shares of the Bank held on April 24, 2020</li> <li>✓ <b>Reviewed</b> and <b>approved</b> governance practices</li> <li>✓ <b>Approved</b> revisions to its mandate and the mandate of the Chair of a committee</li> </ul>
<b>Other</b>	<ul style="list-style-type: none"> <li>✓ <b>Approved</b> the creation and mandate of the Information Technology Subcommittee as well as the remuneration of its members</li> <li>✓ <b>Approved</b> the holding of a virtual Annual Meeting for 2020</li> <li>✓ <b>Reviewed</b> of 2020-2023 Diversity and Inclusion Action Plan</li> </ul>

The various mandates of the Board, the committee and subcommittee Chairs and 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 a culture of ethical business and applies it throughout the Bank, specifically the duty to act with honesty and integrity, abide by the law, treat our clients with respect and civility, protect the confidentiality of information, and avoid conflicts of interest.

It ensures that the rules of conduct and ethics are upheld, particularly through the adoption and updating of the Code of Conduct and Ethics. The Board also ensures that the Bank has an appropriate and effective process permanently in place to ensure compliance with these rules, through, 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 continuous disclosure obligations in effect, that any material breach of the rules 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 the annual report on the application of the Code.

In addition, the Bank has a Client Ombudsman, an Ethics Ombudsman and an Employee Ombudsman. The first investigates, as a last resort, complaints from clients regarding the Bank's products and services. The second receives, processes and retains complaints and concerns regarding the Bank's accounting, internal accounting controls and auditing matters. Lastly, 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 on these responsibilities can be found in the "[Complaint settlement](#)" subsection under "[About Us](#)" on the [nbc.ca](#) website.

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

**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 and one subcommittee, the Information Technology Subcommittee. It also relies on recommendations made by the four oversight functions (Internal Audit, Risk Management, Compliance, and Finance).

**INTERNAL AUDIT OVERSIGHT FUNCTION**

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 and for making recommendations to promote the Bank's long-term strength.

**FINANCE OVERSIGHT FUNCTION**

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.

**RISK MANAGEMENT OVERSIGHT FUNCTION**

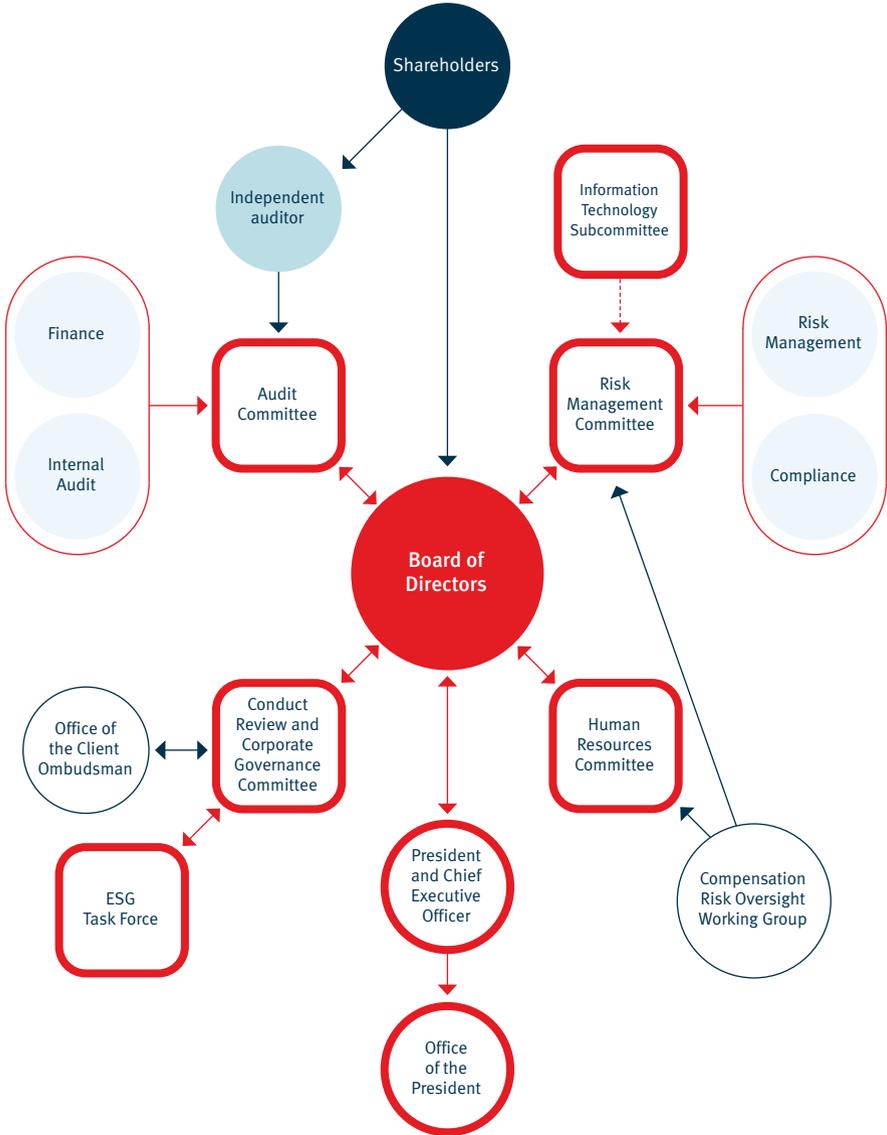
The Risk Management oversight function is responsible for identifying, assessing and monitoring—independently and using an integrated approach—the various risks to which the Bank is exposed and for promoting a risk management culture within the Bank. The Risk Management team helps the Board and management understand and monitor the main risks. The Risk Management unit also develops, maintains and communicates the risk appetite framework while overseeing the integrity and reliability of risk measures.

**COMPLIANCE OVERSIGHT FUNCTION**

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.

5. Governance practices

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



The Board’s corporate governance practices are set out in a document available in the Governance subsection under “About Us” on the nbc.ca website.



## 5. Governance practices

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 consultants' independence is not impaired.

In exceptional circumstances, the Chairman of the Board or the Chair of a committee or subcommittee may themselves assess the independence of consultants, define their mandates, and proceed with hiring, 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.

### CHAIRMAN OF THE BOARD

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

The Chairman 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 performs its duties and assumes its responsibilities and assigns tasks to Board members
- ensures that Board committees and subcommittee discharge the responsibilities vested in them by the Board and report back to the Board 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
- 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 the committees and subcommittees that it creates in accordance with relevant legislative requirements and according to its needs. It appoints committee members and Chairs from among its directors, who must meet all applicable 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 those of the committee Chairs. The committees:

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

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For more information about the Board's standing committees and the standing subcommittee, refer to Section 6 of the Circular or 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 the relevant legislation and the Bank's by-laws.

### Competencies and selection criteria

The Board is composed of directors who are Canadian residents and 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 for its members, both from an individual standpoint and their contribution to the Board, are set out in the expectations for 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 directors as a whole, a complementary mix of knowledge and expertise is required to ensure that the Board can effectively fulfill its role in all areas. The Board believes that it possesses a sufficient number of directors and that all of its director nominees possess the knowledge, competencies, expertise, and diversity required for making informed decisions, creating committees 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"> <li>✓ <b>Oversee</b> the Bank's interests</li> <li>✓ <b>Strive</b> to continue improving</li> <li>✓ <b>Act</b> as ambassadors of the Bank in their sphere of activity and the community in general</li> <li>✓ <b>Understand</b> their roles and responsibilities, and the related expectations and obligations</li> <li>✓ <b>Make constructive use</b> of their competencies, experience and influence</li> <li>✓ <b>Fulfill</b> their responsibilities with integrity, honesty and candour</li> <li>✓ <b>Comply</b> with the Bank's Code of Conduct and Ethics</li> <li>✓ <b>Ensure</b> they meet the eligibility criteria set out in the <i>Bank Act</i>, the Bank's own by-laws and any other legislation</li> <li>✓ <b>Avoid</b> placing themselves in situations of conflict of interest</li> <li>✓ <b>Treat</b> as confidential all information to which they have access in their duties</li> <li>✓ <b>Adhere</b> to the Bank's director independence policy</li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Devote</b> the time and energy needed to properly discharge their obligations</li> <li>✓ <b>Prepare</b> adequately for meetings</li> <li>✓ <b>Attend</b> at least 75% of the meetings to which they are called</li> <li>✓ <b>Keep</b> their financial competencies up to date</li> <li>✓ <b>Hold the minimum</b> number of Bank shares and ensure transparency when trading Bank shares</li> <li>✓ <b>Stay abreast</b> of the Bank's business activities and of any matters or trends that could have an impact on its activities</li> <li>✓ <b>Participate</b> in the Bank's ongoing education program</li> <li>✓ <b>Assume</b> responsibility for the decisions made by the Board</li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Question</b> the status quo, encourage change and be focused on finding solutions</li> <li>✓ <b>Contribute</b> to responsible Bank-wide risk management</li> <li>✓ <b>Demonstrate</b> leadership, show initiative, be proactive and courageous</li> <li>✓ <b>Manage</b> conflict constructively and work in collaboration with the other directors</li> <li>✓ <b>Have</b> an entrepreneurial spirit and show interest in innovation</li> <li>✓ <b>Understand</b> the Bank's vision, strategic orientation, objectives and risks</li> <li>✓ <b>Demonstrate</b> clear and <b>sound judgment</b> so they can assess opportunities for the Bank</li> <li>✓ <b>Have</b> sound business judgment</li> <li>✓ <b>Be capable of thinking critically</b> about the Bank's growth strategies</li> <li>✓ <b>Lead</b> by example and contribute to the corporate culture</li> </ul>

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



## 5. Governance practices

**Director independence**

The Conduct Review and Corporate Governance Committee regularly assesses the independence of Board members in accordance with CSA criteria using, among other things, information provided semi-annually by directors or information brought to its attention. The Board then reviews this 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 the Board functions independently of the Bank's management.

- ✓ Other than the President and Chief Executive Officer of the Bank and the Chief Operating Officer, all committee, subcommittee and Board members are independent within the meaning defined by the CSA
- ✓ The Bank's roles of Chairman of the Board and of President and Chief Executive Officer are distinct
- ✓ The directors comply with the *Affiliated Persons (Banks) Regulations* (Canada)
- ✓ During fiscal 2020, the independent directors met in camera, in the absence of Named Executive Officers, at each Board meeting and Board committee or subcommittee meeting, as stated in the agenda of each meeting

**Integrity of directors**

The directors of the Bank 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 for all director nominees. It does so before they are elected and at least every five years thereafter in accordance with guidelines issued by OSFI. 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 conflict-of-interest situations with the Bank.

Any director who is party to a contract 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 Chairman of the Board or to the Chair of the Conduct Review and Corporate Governance Committee. They 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 or not any conflicts of interest exist.

**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 their ability to act effectively as directors of the Bank.

During fiscal 2020, the average attendance rate of director nominees at Board meetings was 99.2%, while the average attendance rate at committee meetings was 98.1%, and every director nominee attended at least 91.7% of the meetings to which they were called.

## 5. Governance practices

For more information about the attendance rate of director nominees at meetings of the Board and its committees in fiscal 2020, refer to [Section 3](#) of the Circular.

Raymond Bachand, who will not seek a renewal of his mandate as a director, attended 100% of the Board's meetings, 100% of the Conduct Review and Corporate Governance Committee meetings, and 94% of the Risk Management Committee meetings to which he was called.

### Outside directorships

Directors must inform the Chair of the Conduct Review and Corporate Governance Committee or the Chairman of the Board before accepting any invitation to serve on a board of directors other than the Bank's Board. Together with the Chairman 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's ability to discharge his or her responsibilities as a director of the Bank would be affected.

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

The President and Chief Executive Officer serves on the board of directors of only one other public corporation.

The Board believes that the fact that a director of the Bank serves on the board of directors of another public corporation does not necessarily interfere with their 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 may not sit on the audit committee of more than three public companies, including that of the Bank, without prior approval of the Board.

The Bank maintains a list of all the directorships of its directors and director nominees. In its Management Proxy Circular, the Bank discloses 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	Chairman of the Board of Directors
Metro Inc.	Maryse Bertrand	Member of the Corporate Governance and Nominating Committee Member of the Audit Committee
	Pierre Boivin	Chairman of the Board of Directors

The Board has determined that these relationships do not impair the ability of these directors to exercise independent judgment.

### Change of status

Directors must notify the Chairman of the Board or Chair of the Conduct Review and Corporate Governance Committee as promptly as possible of any change in their professional or personal circumstances that may impact their role as a director or create any conflict of interest. The Chairman 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

Diversity and inclusion rank among the Bank's core values, and the composition of its Board is no exception.

To reach its diversity goals, the Board relies on the tools and processes implemented by the Conduct Review and Corporate Governance Committee as part of the Board succession planning process. The Board maintains a list of potential director nominees who satisfy the Board's pre-established selection criteria as well as the Diversity Policy principles, including the target for women's representation on the Board and ensuring the candidate pool contains people who are representative of specific features of the communities in which the Bank operates and conducts business. These features include gender, age, designated groups <sup>(1)</sup>, sexual orientation, ethnocultural groups and geography.

The Board has made a commitment to achieving gender parity among its directors and to having 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.

In such a context the Bank has again renewed its support for 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 (at least 30% by 2022).

During fiscal 2019, the Conduct Review and Corporate Governance Committee hired external recruitment consultants to assist in identifying candidates to help achieve the diversity objectives set by the Board. Based on the recommendations of external recruitment consultants, the Board has expanded its list of potential director nominees for fiscal 2020 in order to better reflect non-gender diversity criteria. It draws from this list of potential nominees when a director position becomes vacant.

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

### The 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:
  - 38% of the Board's members were women (i.e., 6/16), which exceeds the Board's commitment to have women account for at least one-third of its directors.
  - Women's representation on committees is as follows:
    - Half of the nominees selected to fill vacant director positions have been women.
    - Since 2015, the women/men representation ratio among the Bank's director nominees up for election has been stable, remaining between 36% and 43%.

Board	AC	RMC	CRCGC	HRC	ITS
6/16 (38%)	4/6 (67%)	2/6 (33%)	2/6 (33%)	3/6 (50%)	2/3 (67%)

For more information on the Board's Diversity Policy, refer to the Governance subsection under "About us" on the [nbc.ca](http://nbc.ca) website.



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

### In pursuit of an inclusive work environment that supports the success of all

The Bank is proud of what has been accomplished in the area of inclusion and diversity over the years and these foundations allow it to continue its efforts and move towards true inclusion for all.

#### In senior management and management <sup>(1)</sup>

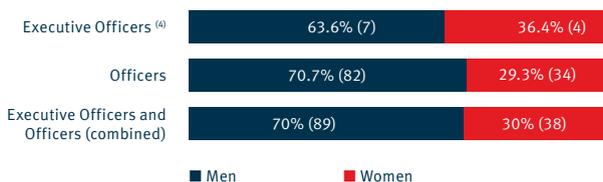
When appointing individuals to executive positions, the Bank considers the representation of women and diversity. The Bank has not set a specific target for senior management, as there are too few Executive Officers for a realistic target to be set. However, the succession plan is being monitored to ensure the fair representation of women among this group. On a semi-annual basis, the Employee Experience dashboards are used to advise the Office of the President and the Human Resources Committee of the progress made in such representation.

The overall target for representation of women among the Bank's Officers and Executive Officers is 36%. The target was revised as part of the development of the Three-year Diversity and Inclusion Plan for 2020-2023. The target, which exceeded market availability <sup>(2)</sup>, was established following a rigorous review of our corporate commitments, and it supports the following culture and talent priorities:

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

Related to the Three-year Diversity and Inclusion Plan for 2020-2023, the Bank also sets overall representation targets for women and other minority groups in senior management positions. While the Bank does not favour imposing minimum number of hires as part of its approach on equal representation of women, it ensures at all times that its human resources practices consider the diversity of the population and of its employees.

The following table illustrates the representation of women <sup>(3)</sup> who held Executive Officer and Officer positions at the Bank in Canada:



(1) As at December 31, 2020

(2) The market availability (27.39%) is based on the 2016 Employment Equity Data Report, which is calculated pursuant to the *Employment Equity Regulation*.

(3) As at December 31, 2020

(4) Including the senior managers of an important subsidiary of the Bank (NBF), the representation of women would be 15% (4/26).

### **Strategy and three areas of focus**

The Bank's strategy is based on the experience shared by its employees and industry best practices. It relies on dialogue and awareness to change mindsets and create openness while strengthening the commitment and accountability of managers. The Bank is continuing its actions on unconscious biases and will put in place the necessary conditions to effectively support the development and progress of all.

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, Aboriginal peoples and members of the LGBTQ+ community:

1. Dialog
2. Engage
3. Act each day

All of the initiatives associated with these three areas of focus and put forward by the Bank can be found in the Inclusion & Diversity Booklet. It will soon be available in the [sub-section of the nbc.ca website devoted to our social responsibility, under the “Diversity” tab](#).

### **Succession planning**

Succession planning as well as leadership development, engagement and well-being are central aspects of the Bank's many talent management strategies. An annual succession planning process helps the Board to become more familiar with future Executive Officers, support the development of management teams, and help manage workforce risk.

During the year, the Board reviewed the succession plans of the President and Chief Executive Officer, the Other Executive Officers, and the heads of the oversight and control functions. In 2020, an analytical model was developed that simulates several sequences and movements in the succession plan. The model can be used to measure the robustness and strength of the succession plan and target the required expertise to be developed and the specific competencies to be included in the Bank's leadership development programs. The Board also examined the development plans of key talents whose progress it wishes to oversee. The purpose of these activities is to gain a global view of high-potential successors, to learn more about the candidates selected for succession positions, and to ensure that the Bank's acquisition and development strategies are supporting current and future needs in terms of officer qualifications and diversity. Directors also become more familiar with the pool of key successors through an annual report. Following this process, the following appointments were made within the Office of the President during the last fiscal year up to the date of the Circular: Laurent Ferreira as Chief Operating Officer, Julie Lévesque as Executive Vice-President – Information Technology, and Nathalie Généreux as Executive Vice-President – Operations.

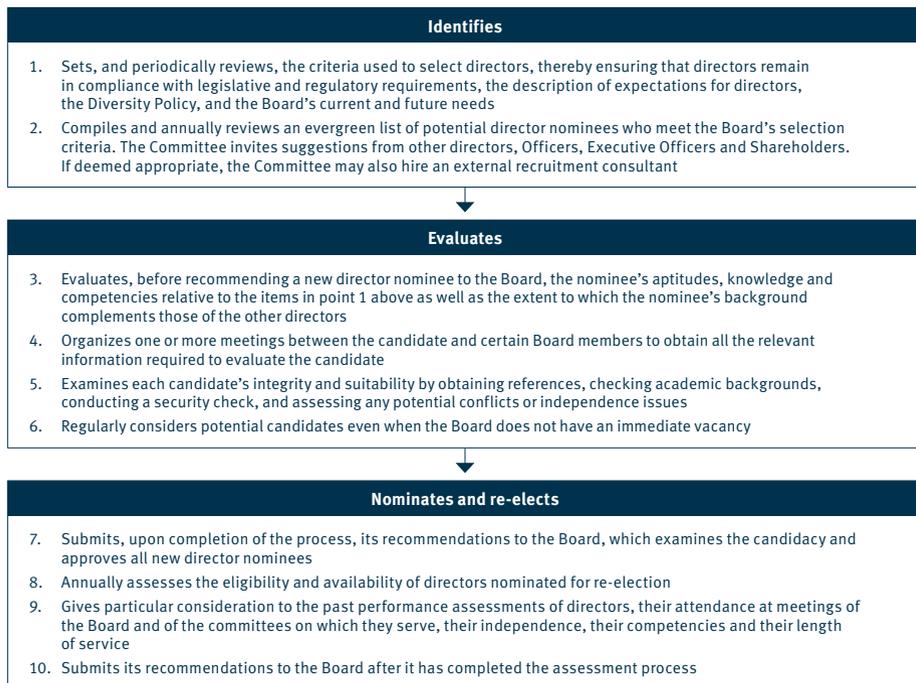
The Bank believes that developing leaders is a key part of achieving its One Mission and business strategies. With this in mind, in 2020 the Bank continued to improve the integration of new Officers and the development of new leadership competencies through a program based on peer learning and action and the Board's involvement in inclusion and diversity. In addition, the creation of common objectives and a dashboard for all Executive Officers ensures greater synergy between teams and mobilizes them around cross-functional priorities and targeted action.

## 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. The Committee is tasked with selecting director nominees 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:

**Director nomination by Shareholders**

<b>Proposal under the Act</b>	In accordance with the Act, Shareholders holding in the aggregate not less than 5% of the Bank's outstanding Common Shares for the minimum period of time set out by the Act may also submit a formal proposal to have candidates nominated for election as directors.
<b>Proposal pursuant to the proxy access policy</b>	<p>To promote the ability of Shareholders to influence the submission of director nominees 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 Board and have them included in the Bank's management proxy circular and proxy form.</p> <p>Shareholders who wish to submit nominees under the proxy access policy are encouraged to read the full text of the policy, which is available in the Governance section under "About Us" on the <a href="http://nbc.ca">nbc.ca</a> website.</p>
<b>Other proposals</b>	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 National Bank at 600 De La Gauchetière Street West, 4 <sup>th</sup> floor, Montreal, Quebec, Canada H3B 4L2.

## 5. Governance practices

**Director tenure and Board vacancies**

The Board has adopted the following guidelines:

- **Term of office:** A director's term usually expires at the close of the annual meeting of the Holders of Common Shares of the Bank that follows the annual meeting in which the director was elected.

However, 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 set out 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 of Directors, 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 of its committees or subcommittees until the Board has rendered a decision on his or her resignation.

- **Maximum number of terms:** A director may not renew their mandate past the 12<sup>th</sup> annual meeting after they were first elected. 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 for a director who has reached this limit to be able to stand for election once more, for an additional one-year term, up to 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

## 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 Chairman and of the Board committees and the subcommittee and their respective Chairs, their own contributions as a Board member and as a member of one or more committees and/or the subcommittee, and the contributions of their peers. Provided below are the steps involved in these performance assessments:

**Questionnaire**

1. The directors receive a self-assessment and assessment questionnaire to evaluate the performance of the Board, its committees and subcommittee, the Chairman of the Board, and the Chairs of the committees and subcommittee as well as the contributions of peers
2. Members of the Office of the President receive an assessment questionnaire to evaluate the performance of the Board
3. Once the questionnaires are completed, the Chair of the Conduct Review and Corporate Governance Committee receives the results of the performance assessments of the Chairman of the Board and of the Committee and Subcommittee Chairs, excluding the assessment of his performance. The Chairman of the Board receives all other results

**Meetings**

4. The Chairman of the Board meets each director one-on-one to discuss his or her observations
5. When meeting with the Chairman of the Board, the President and Chief Executive Officer shares with him the comments made by the members of the Office of the President regarding the Board's performance
6. The Chair of the Conduct Review and Corporate Governance Committee, if necessary, meets the Committee and Subcommittee members one-on-one (with the exception of the members of the Conduct Review and Corporate Governance Committee)
7. The Chairman of the Board and the Chair of the Conduct Review and Corporate Governance Committee then meet to review the results, which are subsequently presented to the Conduct Review and Corporate Governance Committee

**Action plan and report to the Board**

8. The Conduct Review and Corporate Governance Committee holds a meeting during which members discuss and review the assessment results. It then examines the appropriateness of making changes or improvements to the performance of the Board, its committees and subcommittee, the Chairman of the Board, and the Chairs of the Board committees and subcommittee
9. The Conduct Review and Corporate Governance Committee also reviews the individual performance of each director and determines whether it is appropriate for them to stand for re-election at the Bank's next annual meeting of Shareholders
10. If appropriate, the Conduct Review and Corporate Governance Committee draws up an action plan after these discussions
11. The Chairman of the Board and the Chair of the Conduct Review and Corporate Governance Committee submit the results of the assessments to the Board and, if appropriate, present the action plan drawn up by the Conduct Review and Corporate Governance Committee. The Board oversees the execution of any action plan

## 5. Governance practices

The fiscal 2020 performance assessment concluded that the Board and its committees and subcommittee operate effectively and that their members, the Chairman of the Board, and the Chairs of the committees and subcommittee have the necessary knowledge and devote the required time to accomplish their tasks. The assessment process was carried out in accordance with the respective mandates of the Board and the Conduct Review and Corporate Governance Committee.

With a view to continuous improvement, the Board's annual assessment identifies improvements that can be made to ensure that the Board remains high-performing and effective. For 2019-2020, as a result of an action plan, tangible improvements were made, including an optimization of the presentations made to the Board, a simplification of credit files and greater visibility of ESG activities for each of the Board's committees.

### **Guidance and continuing education for directors**

Directors must constantly be broadening their knowledge and understanding of the Bank's operations and regulatory framework. To support them, a guidance and continuing education program that takes into account the expertise and various needs of the current directors is in place.

#### **A guidance program for new directors**

The Board created a guidance 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 operation, activities, and key challenges. The program undergoes 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.

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; and the Vice-President, Integrated Risk Management to further deepen their knowledge and understanding of the issues facing the Bank.

#### **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) in order 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 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.

## 5. Governance practices

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 Chairman 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 and governance, they always have access to documentation submitted to Board committees and subcommittee on which they are not members. In addition, the Corporate Secretary from time to time provides them with various articles and publications relevant to the performance of their duties.

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 positions as directors. In this exceptional year, the type and offering of training sessions was modified from that of other years, as was the frequency of training offered at meetings of the Board and its committees and subcommittee.

Training provided by the Bank	Date	Participants
Global Trends in Banking	October 2020	Board
COVID-19: Industries Affected	October 2020	RMC
Allowances for Credit Losses	October 2020	RMC and AC
Report of the Task Force on Climate-Related Financial Disclosures (TCFD) and Disclosure on Climate Risks	October 2020	RMC and AC
Carbon Impact and Global Warming	October 2020	RMC and AC
Digitization	October 2020	ITS
Human Capital – the Talent Strategy	October 2020	HRC
ESG: Beyond the Tipping Point	August 2020	CRCGC
Data Strategy	February 2020	Board
Economic Update	February 2020	Board
Investor Relations	February 2020	Board
In-depth session on certain subsidiaries	February 2020	RMC
Market for Reverse Repurchase Transactions	February 2020	RMC
Digital Transformation - Finance	February 2020	AC
Cloud Strategy	December 2019	Board
Money laundering and other non-financial risks	December 2019	AC
Governance trends	December 2019	CRCGC

Training provided by recognized organizations	
<ul style="list-style-type: none"> <li>• Cybersecurity and cyber crises</li> <li>• Fintech and blockchain technology</li> <li>• Transition and the successor to the President and CEO</li> <li>• Identifying and monitoring internal risks</li> <li>• Impacts of U.S. tax reform</li> <li>• Priorities for audit committees</li> </ul>	<ul style="list-style-type: none"> <li>• The financial industry and financial institutions</li> <li>• Succession on the Board of Directors</li> <li>• Lessons learned – corporate crises</li> <li>• Environmental, social and governance responsibility</li> <li>• Executive compensation</li> </ul>

## SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

The Bank maintains a trusting and meaningful relationship with the communities in which it operates and with its various stakeholders. The Bank's social and environmental responsibility strategy is rooted in the new ESG guidelines adopted by the Board, which can be consulted in the [2020 Annual Report](#). The Bank has adopted measures that will further strengthen its commitment in these areas, notably through the signing of the UN's Principles for Responsible Banking, through its support of the FSB's TCFD, and through its responsible investments.

The Bank implements responsible practices that support the Bank's sustainable development initiatives as well as the communities in which it operates and its various stakeholders. In 2020, the ESG Task Force was created as a committee composed of Officers from various sectors of the Bank. Its main function is to develop and support the environmental, social and governance initiatives and strategy of the Bank. Its members meet on a monthly basis. This group is responsible, notably, for implementing the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). Twice each year, the ESG Working Group reports to the Conduct Review and Corporate Governance Committee, the Risk Management Committee and the Audit Committee on the progress made and the planned stages of development.

This year, the Bank announced that it had set a target for reducing its greenhouse gas emissions by 25% by 2025, compared to 2019 levels. This target is based on science and aims to help limit global warming to 1.5°C, the most ambitious objective of the Paris Agreement.



### 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 on the initiatives implemented by the Bank, refer to the [2020 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, including through a well-defined donations and sponsorships program, through successful fundraising efforts, and through teams of current and retired employee volunteers who are determined to make a difference. For more information, refer to the [Corporate Social Responsibility Statement](#) and the [ESG Report](#).

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



### Governance

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

The [ESG Report](#), the [TCFD Report](#) and the [Social Responsibility Statement](#) are available in the Social Responsibility subsection under "About Us" 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 subsidiaries' governance practices, have adopted concrete tools to develop a long-term governance strategy for all subsidiaries.

First, governance of the Bank's subsidiaries is provided by the Executive Vice-President, Legal Affairs and Corporate Secretary of the Bank, who works very closely with the subsidiaries to enable the implementation of best corporate governance practices in 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. In addition, the main subsidiaries periodically present an overview of their operations, risk management and compliance and governance to the Risk Management Committee.

Furthermore, the governance framework for subsidiaries developed by the Bank ensures that best practices are adopted by the subsidiaries by promoting certain key principles of subsidiary governance, particularly in terms of compliance and risk management. In this way, the framework enables each subsidiary to apply the necessary oversight and controls while taking into account the subsidiary's business reality, the oversight by regulatory authorities, and the Bank's risk appetite.

## **COMMUNICATIONS WITH SHAREHOLDERS AND STAKEHOLDERS**

The Board believes in the importance of giving Bank Shareholders and clients and any other person opportunities to comment on Bank-related matters. It therefore makes sure to implement measures designed to gather comments, fully understand concerns expressed, and respond as required.

In 2018, the Conduct Review and Corporate Governance Committee formally adopted a Shareholder Engagement Policy that clarifies how Shareholders can engage directly with the Board or one of its directors. The Policy can be found in the Governance subsection under "About Us" on the [nbc.ca](http://nbc.ca) website.

The Bank responds to questions from Shareholders, investors, financial analysts and the media through its Investor Relations Department, its Public Affairs Department, its Corporate Secretary and Computershare, which is its registrar and transfer agent. The Corporate Secretary is responsible for ensuring effective communication between the Board, the Bank's management and Shareholders.

As part of the Bank's efforts to foster dialogue with its Shareholders in fiscal 2020, the Bank's Officers met during this period with representatives of institutional investors, shareholder groups, proxy-voting consultants and other groups specialized in governance matters.

In addition, the Bank's annual advisory vote allows Shareholders to express their position on the executive compensation approach presented in the Circular.

## 5. Governance practices

The table below summarizes the activities through which the Bank interacts with its Shareholders and other stakeholders.

Type of activity	Speaking for the Bank	Attendees, frequency and purpose
Presentations without transactions, meetings, calls or discussions	Chairman of the Board and other directors at the request of the Chairman of the Board	Attended by key stakeholders with whom the Bank proactively discusses best governance practices
Presentations without transactions, meetings, calls or discussions	Executive Officers and certain Officers	Attended by institutional investors, throughout the year, wherein the Bank provides publicly available information about its activities, operations, and initiatives
Quarterly conference calls and webcasts	Executive Officers and certain Officers	Attended by investors and research analysts wherein the Bank presents and comments on the latest published operating and financial results
Press releases	Executive Officers	Press releases issued to the media throughout the year to report any major change involving the Bank
Broker-sponsored conferences	Executive Officers	Presentations made during conferences attended by institutional investors and research analysts and covering publicly available information about the Bank and its operations
Investor Day	Executive Officers	Attended by a group of investors and research analysts upon invitation; live webcasts and presentations are made available on the <a href="http://nbc.ca">nbc.ca</a> website
Meetings, calls and discussions	Investor Relations Department	Attended by brokers, institutional and retail investors, and research analysts wherein the Bank provides publicly available information about its financial results

Anyone wishing to contact the Board, a Board committee, the Chairman of the Board, a Chair of a Board committee or subcommittee, or other director, may do so by email to [boardofdirectors@nbc.ca](mailto:boardofdirectors@nbc.ca) or by mail c/o the Corporate Secretary, National Bank of Canada, 600 De La Gauchetière Street West, 4<sup>th</sup> floor, Montreal, Quebec, Canada H3B 4L2.



## 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 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 ensures that they are communicated anonymously and confidentially.

This policy can be found in the Governance subsection under “About Us” on the [nbc.ca](http://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 Information Technology Subcommittee. The Board may also create ad hoc committees to address specific purposes whenever a situation so requires.

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.

### Information Technology Subcommittee

In recent years, technology has emerged as an effective tool that equips employees to deliver the best experience to clients while also bringing the importance of data security to the forefront. In light of recent cybercrime incidents in the industry and given the Board of Directors' continuous reflection on governance and emerging risks, a comparative analysis was performed of best technology-related governance practices. As a result of these efforts, the Board decided to create the Information Technology Subcommittee, which will support the Risk Management Committee in its oversight of the Bank's technology program.

### Characteristics of Board 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 and that give it access to the information needed 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
- periodically reviews its own mandate and approves its activity schedule

All four committees and the Information Technology Subcommittee are confident that, for fiscal 2020, they have fulfilled their responsibilities in accordance with their mandates.

## 6. Committees of the Board

**Chairman of the Board**

The Chairman 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
- may chair the meetings of a Board committee or subcommittee when needed upon request by Committee members.

**Experience and competencies of committee members**

Each member has the required skills, knowledge and experience to adequately fulfill their duties and effectively contribute to the mandate of the committee(s) and/or 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 helps the committees and the subcommittee gain a better overall understanding of the other committee 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 2020, 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 2020 Annual Information Form.

**AUDIT COMMITTEE****Members**

Karen  
Kinsley,  
Chair



Maryse  
Bertrand



Pierre  
Blouin



Manon  
Brouillette



Andrée  
Savoie



Pierre  
Thabet

- The members of the Audit Committee met six times during this past fiscal year (including one meeting held jointly with the Risk Management Committee) to fulfill each of the responsibilities described in their mandates.

## 6. Committees of the Board

## AUDIT COMMITTEE (continued)

- Every member of the Audit Committee is “financially literate” as required by *Regulation 52–110 respecting Audit Committees* (R.R.Q. c V-1.1, r. 28).
- Members of the 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 independent auditor attended each of the Committee’s meetings.
- The Committee met in camera with the Chief Financial Officer and Executive Vice-President – Finance, with the Senior Vice-President – Internal Audit, and with the independent auditor.
- The Committee serves as the audit committee for a designated subsidiary, namely, Natcan Trust Company.

<b>Main responsibilities</b>	<b>Main achievements</b> Notably, we:
Reviewing the financial statements and the Management’s Discussion and Analysis and overseeing their integrity	<ul style="list-style-type: none"> <li>✓ <b>reviewed and recommended</b> 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 the declaration of dividends, and supplementary financial information</li> <li>✓ <b>reviewed</b> the proposals to declare dividends and made recommendations to the Board</li> </ul>
Monitoring the work of the independent auditor and assessing its performance	<ul style="list-style-type: none"> <li>✓ <b>reviewed</b> 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</li> <li>✓ <b>recommended</b> the appointment and compensation of the independent auditor</li> <li>✓ <b>reviewed and approved</b> the independent audit plan for the fiscal year ending October 31, 2020</li> <li>✓ <b>carried out</b> the annual 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, 2020</li> <li>✓ <b>monitored</b> the application of the guidelines for managing the services provided by the independent auditor and the pre-approval of certain mandates</li> </ul>
Reviewing the effectiveness of internal control policies and procedures	<ul style="list-style-type: none"> <li>✓ <b>reviewed</b> the report on internal controls over financial reporting</li> <li>✓ <b>reviewed</b> the reports on the Bank’s compliance with regulatory capital ratios</li> <li>✓ <b>reviewed and updated</b> audit policies, as appropriate</li> </ul>
Oversight functions	<ul style="list-style-type: none"> <li>✓ <b>reviewed and approved</b> 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</li> <li>✓ <b>obtained</b> 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</li> <li>✓ <b>reviewed</b> the 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</li> <li>✓ <b>reviewed</b> the independent auditor’s review of the Internal Audit function</li> <li>✓ <b>reviewed</b> the interim and annual reports produced by the Bank’s 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</li> <li>✓ <b>assessed</b> 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 our resulting compensation recommendations to the Human Resources Committee and the Board</li> <li>✓ <b>reviewed</b> 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 Human Resources Committee and the Board</li> </ul>

## AUDIT COMMITTEE (continued)

Main responsibilities	Main achievements Notably, we:
Other	<ul style="list-style-type: none"> <li>✓ <b>reviewed</b> the annual report on litigation against the Bank and its subsidiaries that could constitute a material risk</li> <li>✓ <b>reviewed</b>, with the Risk Management Committee, the process for determining expected losses in accordance with the principles set out in IFRS 9</li> <li>✓ <b>reviewed</b>, with the Risk Management Committee, and recommended to the Board for approval the progress report for the Task Force on Climate-Related Financial Disclosures</li> <li>✓ <b>reviewed</b>, with the Risk Management Committee, the Bank's achievements in terms of its carbon footprint and the fight against climate change</li> <li>✓ <b>reviewed</b> and <b>recommended</b> to the Board the operating budget</li> <li>✓ <b>reviewed</b> financial forecasts with respect to the impact of the COVID-19 crisis on the Bank's financial performance</li> <li>✓ <b>reviewed</b> the digital transformation strategy of the Finance segment</li> <li>✓ <b>reviewed</b> recent best practices and trends in voluntary audit committee disclosures</li> <li>✓ <b>reviewed</b> and <b>recommended</b> to the Board the payment of coupons for the Limited Recourse Capital Notes</li> </ul>

## RISK MANAGEMENT COMMITTEE

## Members



Pierre Thabet,  
Chair



Raymond Bachand



Yvon Charest



Patricia Curadeau-Grou



Karen Kinsley



Lino A. Saputo

- The members of the Risk Management Committee met 18 times during 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 without the presence of management.

## RISK MANAGEMENT COMMITTEE (continued)

Main responsibilities	Main achievements Notably, we:
Monitoring the management of the main risks to which the Bank is exposed, including credit risk, market risk, liquidity and funding risk, operational risk, risk of regulatory non-compliance, reputational risk, strategic risk, environmental and social risk, as well as emerging risks, including cybersecurity	<ul style="list-style-type: none"> <li>✓ <b>conducted</b> quarterly reviews of the integrated risk management report, which follows up on risks related to sales practices, among other matters</li> <li>✓ <b>oversaw</b> the management of and <b>performed</b> interim reviews of technological risk, including cyber risks and cybercrime</li> <li>✓ <b>received</b> the summary of highlights from the Information Technology Subcommittee's meetings</li> <li>✓ <b>reviewed</b> the various sensitivity analyses related to credit risk, including the impacts of the COVID-19 crisis</li> <li>✓ <b>examined</b> the quarterly report addressing the allowances for credit risk on impaired loans (IFRS 9)</li> <li>✓ <b>reviewed</b>, with the Audit Committee, the process for determining expected losses in accordance with the principles set out in IFRS 9</li> <li>✓ <b>reviewed</b>, with the Audit Committee, and recommended to the Board for approval the progress report for the Task Force on Climate-Related Financial Disclosures</li> <li>✓ <b>reviewed</b>, with the Audit Committee, the Bank's achievements in terms of its carbon footprint and the fight against climate change</li> <li>✓ <b>oversaw</b> the creation of the Information Technology Subcommittee and recommended that the CRCGC and the Board approve the Subcommittee's mandate</li> <li>✓ <b>reviewed</b> the response by the Office of the President to the cyber incident simulation</li> <li>✓ <b>reviewed</b> the annual report on litigation against the Bank and its subsidiaries that could constitute a material risk</li> <li>✓ <b>reviewed, updated and approved</b>, as necessary, certain risk management policies</li> <li>✓ <b>reviewed and approved</b> various credit files of the Bank's clients in accordance with the credit approval policies</li> <li>✓ <b>reviewed</b> principles relating to the approval of transactions in the context of the COVID-19 crisis and revised them</li> <li>✓ <b>reviewed and approved</b> the contingency and business recovery plan and the Canadian resolution plan in case of bankruptcy</li> <li>✓ <b>received</b> information on key changes made to laws, regulations and other rules as well as on material regulatory non-compliance risks</li> <li>✓ <b>reviewed</b> the annual report on investments</li> <li>✓ <b>reviewed and approved</b> the methodology used to establish sectoral limits and approved the changes made to certain sectoral limits</li> <li>✓ <b>reviewed</b> the quarterly report on the oil and gas sector</li> <li>✓ <b>reviewed</b> the limit on the international investment envelope and recommended that the Board approve the review</li> <li>✓ <b>reviewed</b> the governance of the Bank's main subsidiaries</li> <li>✓ <b>reviewed</b> the independent review of the proceeds of crime (money laundering), fraud and cyber fraud programs</li> </ul>
Reviewing and approving the Bank's risk appetite framework	<ul style="list-style-type: none"> <li>✓ <b>approved and recommended</b> that the Board approve the Bank's risk appetite framework and required the Bank's management to implement appropriate processes to effectively manage risks</li> </ul>
Overseeing capital, liquidity and funding management	<ul style="list-style-type: none"> <li>✓ <b>reviewed and approved</b> the assumptions used for capital stress-testing scenarios</li> <li>✓ <b>reviewed</b> the implementation of requirements set out in the Basel Accords</li> <li>✓ <b>reviewed and recommended</b> that the Board approve the capital plan</li> <li>✓ <b>reviewed</b> the quarterly liquidity management report</li> <li>✓ <b>reviewed</b> the Canadian liquidity policies in the context of the COVID-19 crisis</li> <li>✓ <b>examined and approved</b> the funding plan</li> </ul>

## RISK MANAGEMENT COMMITTEE (continued)

<b>Main responsibilities</b>	<b>Main achievements</b> Notably, we:
Oversight functions	<ul style="list-style-type: none"> <li>✓ <b>reviewed and approved</b> the mandate of the Risk Management oversight function and the Compliance oversight function as well as the nature and scope of their work</li> <li>✓ <b>obtained</b> 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</li> <li>✓ <b>reviewed</b> the interim and annual reports produced by the Bank's 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</li> <li>✓ <b>reviewed</b> the reports of the Senior Vice-President, Internal Audit and ensured that necessary measures had been taken to address the main recommendations in these reports</li> <li>✓ <b>assessed</b> the performance of the Executive Vice-President, Risk Management and the Chief Compliance Officer and sent our resulting compensation recommendations to the HRC and the Board</li> <li>✓ <b>reviewed</b> 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</li> </ul>
Other	<ul style="list-style-type: none"> <li>✓ <b>conducted</b> quarterly reviews of progress made in the construction of the new head office</li> <li>✓ <b>reviewed</b> the work of the Compensation Risk Oversight Working Group</li> </ul>

## CONDUCT REVIEW AND CORPORATE GOVERNANCE COMMITTEE

## Members

Lino A.  
Saputo,  
ChairRaymond  
BachandPatricia  
Curadeau-  
GrouJean  
HoudeRobert  
ParéAndrée  
Savoie

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

## CONDUCT REVIEW AND CORPORATE GOVERNANCE COMMITTEE (continued)

<b>Main responsibilities</b>	<b>Main achievements</b> Notably, we:
Composition and operation of the Board and its committees	<ul style="list-style-type: none"> <li>✓ <b>verified</b> the independence, eligibility, availability and financial competencies of the Board members</li> <li>✓ <b>reviewed</b> and <b>recommended</b> to the Board the appointment of the Chairman of the Board and his compensation, the composition of the Board committees, and the appointment of committee and the Information Technology Subcommittee members and Chairs</li> <li>✓ <b>reviewed</b> the updates made to recent regulatory and governance changes and recommended to the Board changes to the Bank's governance practices</li> <li>✓ <b>reviewed</b> and <b>approved</b> various proposals regarding the functioning of the Board and its committees with a view to improving their effectiveness</li> </ul>
Guidance and education for directors	<ul style="list-style-type: none"> <li>✓ <b>ensured</b> application of the guidance and continuing education program for directors and suggested training</li> </ul>
Assessment of the Board, its committees and directors	<ul style="list-style-type: none"> <li>✓ <b>reviewed</b> the proposed methodology for assessing the Board and its Chairman, of the committees and the committee Chairs, and of the directors</li> <li>✓ <b>monitored</b> the implementation of the action plan for evaluating the performance of the Board and its committees</li> <li>✓ <b>confirmed</b> that each director complies with the Code of Conduct and Ethics, understands the Bank's conflict-of-interest standards, and is not in a conflict-of-interest situation</li> </ul>
Succession planning for the directors and Chairman of the Board	<ul style="list-style-type: none"> <li>✓ <b>reviewed</b> the composition of the Board, Board diversity, the term of office of a directorship, the skills and experience of the Board, and assessed potential director nominees</li> <li>✓ <b>engaged</b> an external consulting firm in the process of updating the evergreen list of potential director nominees</li> </ul>
Oversight of governance matters	<ul style="list-style-type: none"> <li>✓ <b>reviewed</b> and <b>recommended</b> that the Board approve the Management Proxy Circular (including replies to the Shareholder proposals received and the proxy form) for the Annual Meeting of the Holders of Common Shares of the Bank held on April 24, 2020</li> <li>✓ <b>reviewed</b> the status of diversity on the Board</li> <li>✓ <b>reviewed</b> and <b>updated</b> the formal governance framework for the Bank's subsidiaries</li> <li>✓ <b>received</b> the annual report on compliance with the subsidiaries' governance framework</li> <li>✓ <b>approved</b> and <b>recommended</b> to the Board revised mandates for the Board, the Board Chair, the Committee Chair and the Human Resources Committee, including the addition of environmental and social responsibility</li> <li>✓ <b>approved</b> and <b>recommended</b> to the Board the creation of an Information Technology Subcommittee, and revised and recommended to the Board the Subcommittee's mandate</li> <li>✓ <b>monitored</b> the implementation of the action plan for managing conflicts of interest</li> <li>✓ <b>reviewed</b> the list of directors who are part of the Bank's group</li> <li>✓ <b>reviewed</b> the impacts of the COVID-19 pandemic on the holding of the 2020 and 2021 annual meetings of shareholders</li> </ul>
Oversight of environmental, social and governance matters	<ul style="list-style-type: none"> <li>✓ <b>reviewed</b>, periodically, the Bank's environmental strategy</li> <li>✓ <b>reviewed</b> and <b>recommended</b> that the Board approve the key issues addressed in the Social Responsibility Report</li> <li>✓ <b>reviewed</b> environmental, social and governance trends</li> <li>✓ <b>reviewed</b> the 2019 Report on Environmental, Social and Governance Advances</li> <li>✓ <b>reviewed</b> results from the Bank's environmental, social and governance responsibility questionnaire</li> <li>✓ <b>reviewed</b> the Bank's Human Rights Statement</li> <li>✓ <b>reviewed</b> the Bank's commitments towards employees with respect to COVID-19</li> </ul>

## 6. Committees of the Board

## CONDUCT REVIEW AND CORPORATE GOVERNANCE COMMITTEE (continued)

<b>Main responsibilities</b>	<b>Main achievements</b> Notably, we:
Oversight of review matters	<ul style="list-style-type: none"> <li>✓ <b>reviewed</b> the reports and policies on management’s implementation and oversight of mechanisms to ensure compliance with the provisions of the <i>Act regarding related party transactions</i></li> <li>✓ <b>reviewed</b> the annual and semi-annual reports, prepared by the Office of the Client Ombudsman, covering complaints received from customers of the Bank</li> <li>✓ <b>reviewed</b> the report on the application of the Code of Conduct and Ethics</li> </ul>
Director compensation	<ul style="list-style-type: none"> <li>✓ <b>reviewed</b> and <b>recommended</b> to the Board the Bank’s revised director compensation program</li> <li>✓ <b>reviewed</b> the annual renewal of the liability insurance of directors and Officers and the crime insurance for financial institutions</li> </ul>

## HUMAN RESOURCES COMMITTEE

## Members



Pierre  
Boivin  
Chair



Maryse  
Bertrand



Pierre  
Blouin



Manon  
Brouillette



Yvon  
Charest



Rebecca  
McKillican

- The members of the Human Resources Committee met six 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, notably ensures 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.

## 6. Committees of the Board

## HUMAN RESOURCES COMMITTEE (continued)

Main responsibilities	Main achievements Notably, we:
Oversight of compensation policies, programs and practices	<ul style="list-style-type: none"> <li>✓ <b>reviewed</b> the total compensation strategy</li> <li>✓ <b>reviewed</b> and <b>approved</b> proposed changes to certain compensation programs, including the 2021 Officer compensation program and certain administrative aspects of the Stock Option Plan</li> <li>✓ <b>recommended</b> for Board approval the targets and parameters of the annual Incentive Compensation Program (ICP), which applies to over 11,000 employees, including the Executive Officers, for fiscal 2020</li> <li>✓ <b>reviewed</b> and <b>recommended</b> for Board approval the compensation of the two new members of the Office of the President appointed in fiscal 2020</li> <li>✓ <b>approved</b> the short-, mid- and long-term variable compensation envelopes for 2020</li> </ul>
Performance and compensation management of the President and Chief Executive Officer	<ul style="list-style-type: none"> <li>✓ <b>approved</b> the variable compensation program performance targets applicable to the President and Chief Executive Officer</li> <li>✓ <b>reviewed</b> the competitiveness of the target total direct compensation of the President and Chief Executive Officer, and subsequently <b>recommended</b> it for Board approval</li> <li>✓ <b>assessed</b> the President and Chief Executive Officer's performance based on financial results, annual objectives, and key performance indicators, including ESG criteria, 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</li> </ul>
Performance and compensation management of the Other Executive Officers and of the heads of the oversight functions	<ul style="list-style-type: none"> <li>✓ <b>approved</b> the variable compensation program performance targets applicable to the Other Executive Officers</li> <li>✓ <b>received</b> the President and Chief Executive Officer's report on the performance of the Other Executive Officers and approved their compensation</li> <li>✓ <b>reviewed</b> the competitiveness of the target total direct compensation of the Executive Officers, and subsequently <b>recommended</b> that the Board approve the adjustments deemed necessary</li> <li>✓ <b>reviewed</b>, in collaboration with the Audit and Risk Management committees, the competitiveness of the target total direct compensation of the heads of the oversight functions and subsequently <b>recommended</b> that the Board approve their compensation</li> </ul>
Review of the Executive Officers' and Officers' succession and development plans	<ul style="list-style-type: none"> <li>✓ <b>reviewed</b> the talent management strategies</li> <li>✓ <b>reviewed</b> the employee experience scorecard, which summarizes various aspects of employee experience such as culture, talent, development, performance, diversity and inclusion</li> <li>✓ <b>reviewed</b> and <b>recommended</b> that the Board approve the updated succession plans 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 diversity and inclusion</li> <li>✓ <b>approved</b> the diversity and inclusion action plan for 2020-2023</li> </ul>
Oversight of pension plans and employee benefits	<ul style="list-style-type: none"> <li>✓ <b>reviewed</b> a report on the performance and risk-taking of the Pool Fund and on the application of the investment policy to the Bank's pension plans</li> <li>✓ <b>approved</b> reviews of the investment and funding policy applicable to the pension plans and of the Retirement Committee's mandate</li> <li>✓ <b>monitored</b> deployment of the new innovative employee benefits offer</li> </ul>
Communications with Shareholders and compliance with compensation governance standards	<ul style="list-style-type: none"> <li>✓ <b>reviewed</b> the Bank's Internal Audit oversight function's report on total compensation policies, programs and practices</li> <li>✓ <b>confirmed</b> 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</li> <li>✓ <b>discussed</b> on an ongoing basis and <b>monitored</b> exchanges with the Bank's institutional shareholders and governance bodies</li> </ul>

## 6. Committees of the Board

## HUMAN RESOURCES COMMITTEE (continued)

<b>Main responsibilities</b>	<b>Main achievements</b> Notably, we:
Oversight of activities in accordance with the Bank's ESG practices and strategies	✓ <b>reviewed</b> and <b>recommended</b> that the Board approve the review of the Committee's mandate in order to incorporate diversity and inclusion and clarify the importance of employee health and well-being in the Bank's practices
Other	✓ <b>reviewed</b> and <b>discussed</b> at each meeting reports on the management of the COVID-19 pandemic and on the measures taken for all stakeholders

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



## INFORMATION TECHNOLOGY SUBCOMMITTEE

## Members



Pierre  
Blouin,  
Chair



Manon  
Brouillette



Rebecca  
McKillican

- The Information Technology Subcommittee was created in April 2020 and held its first meeting in August 2020. The members of the Information Technology Subcommittee met twice this past fiscal year.

<b>Main responsibilities</b>	<b>Main achievements</b> Notably, we:
Technology strategy	✓ <b>reviewed</b> progress on the digitization of services, the Bank's digital offering strategy and its priorities
Technology investments and assets	✓ <b>reviewed</b> the portfolios of strategic technology initiatives for each of the business lines
Monitoring and control	<ul style="list-style-type: none"> <li>✓ <b>examined</b> the technology ecosystem of the remote sales and services unit</li> <li>✓ <b>reviewed</b> ongoing management of technological risk and interim reports on technological risk, including cyber risks and cybercrime</li> <li>✓ <b>received</b> information on the delivery of cybersecurity projects</li> </ul>
Technology monitoring	✓ <b>examined</b> an actual case of a cyberattack in the banking industry, its impacts and the lessons learned
Other	✓ <b>reviewed</b> the Subcommittee's mandate and objectives

# 7.

## Executive Officer compensation

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## LETTER TO SHAREHOLDERS

This section presents the factors that determine the total compensation offering applicable to Executive Officers as well as key information from the past fiscal year and the compensation granted to the Named Executive Officers. The following pages describe our compensation approach in greater detail.

### Good performance in a difficult context

In Canada, during the COVID-19 pandemic banking services are considered essential services and are therefore being maintained despite the lockdown ordered by the government. Given the current economic and social conditions, the Bank is committed to supporting its employees, clients, and communities. The continuity of the Bank's overall activities has been and continues to be achieved in a remarkable way since the beginning of this unprecedented crisis. All experts are mobilized to accompany clients, support them and answer their questions during this ongoing period of uncertainty.

From the onset of the COVID-19 pandemic, our priority has been the well-being of our employees, clients, Shareholders and communities. Our One Mission to prioritize "People First" guided us in all our decisions.

The Bank relied on its solid footing with a strong balance sheet, a strong credit quality and a defensive positioning. Despite the unpredictable environment, the Bank performed well with revenue growth across all segments and an increase in income before provisions for credit losses and income taxes compared to the previous year. The Bank also delivered an industry-leading return on equity of 15.8%. Our performance in fiscal 2020 reflects the resilience of our franchise and the sound diversification of our earnings stream.

In 2020, we generated diluted earnings per share of \$5.70, down 10% from last year, and we met the following medium-term objectives.

Medium-term objectives and 2020 results	Medium-term objectives	2020 results
Growth in diluted earnings per share excluding specified items	5-10%	(4.7)%
Return on equity excluding specified items	15-20%	15.8%
Dividend payout ratio excluding specified items	40-50%	46.6%
CET1 capital ratio	> 10.75%	11.8%
Leverage ratio	> 3.75%	4.4%

Amidst all the market volatility in 2020, the Bank once again delivered industry-leading total returns to its shareholders in the one-, three-, five-, ten- and twenty-year periods.

### Industry-leading total shareholder returns (CAGR <sup>(1)</sup>)

For the periods ended October 31, 2020

Ranking <sup>(2)</sup>		National Bank	Canadian peers	TSX
#1	1 year	(1.5)%	(13.7)%	(2.3)%
#1	3 years	5.1%	(2.4)%	2.2%
#1	5 years	12.9%	5.5%	6.1%
#1	10 years	11.3%	7.6%	5.2%
#1	20 years	12.9%	9.2%	5.2%

(1) Compound annual growth rate

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

In 2020, we raised our dividend by 7% and returned \$30 million of additional capital to shareholders through share repurchases. These repurchases were carried out before March 13, 2020, when OSFI lowered the domestic stability buffer and indicated that it expected all banks to cease any dividend increases or share buybacks.

### Importance of ESG factors

The Bank is committed to implementing its environmental, social and governance guiding principles, with the aim to develop a green economy, enrich our communities, and uphold the highest standards in corporate governance. In 2020, we published our first ESG Report in which we demonstrate how we put the client, the community, the environment and diversity at the heart of our activities.

We also published our first-ever TCFD Report. This report presents the Bank's progress and the broad directions taken to implement TCFD recommendations. The recommendations are based on four main pillars: governance, strategy, risk management, and performance indicators and objectives.

Our objective is for the Bank to further promote diversity and inclusion to ensure that we reflect the diversity of our clients and community. We have set measurable targets and will be transparent regarding our progress.

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 the ESG Report, the TCFD Report and the Inclusion and Diversity Handbook, refer to Section 5 of the Circular.



## Evolution of practices and programs

Since November 1, 2019, all Executive Officers and Officers have been sharing a single scorecard with common objectives, the aim being to promote strong alignment as we carry out our One Mission.

To support this shift, numerous initiatives were implemented in 2020.

- Various changes were made to the ICP formula for fiscal 2020. Specifically, a second client experience metric was added to the ICP calculation formula, increasing the relative weighting of the client experience factor from 10% to 20%. The efficiency ratio was replaced by the operating leverage, with a relative weighting of 10%. The operating leverage measure more clearly expresses the progress of operations and is also better understood by our employees. Finally, the ANI weighting decreased from 75% to 70%. This new short-term compensation program is a strong symbol of transformation and a determining factor in our collective success.
- Several initiatives continue to be pursued to review the variable compensation programs of certain employee groups to ensure alignment with our One Mission and promotion of desired behaviours, namely with an increased emphasis on customers and on collaboration between our various sectors.

Since November 1, 2020, the Bank has further strengthened alignment of compensation, performance and collaboration across sectors by granting the compensation of all Officers from a common envelope based on the Bank's available net income and other key indicators that are aligned with the "One Mission".

The ultimate goal of this initiative is to accelerate the Bank's organizational transformation by leveraging variable compensation to promote collaboration and reward the achievement of shared priorities, while maintaining alignment with best principles of compensation governance.

The main changes introduced for fiscal 2021 are:

- A collective compensation program, including base salary and short-, mid- and long-term variable compensation for all Officers, financed mainly by the Bank's available net income;
- A more formal approach allowing Executive Officers to share decision-making on performance evaluation and compensation of all Officers;
- An award process that compensates respective contribution to the Bank's success and guarantees that at least 60% of the variable compensation of the Executive Officers will be awarded in the form of deferred compensation.

Our detailed approach will be presented in the 2022 Management Proxy Circular.

## Changes within the Office of the President

Certain changes were made within the Office of the President. These changes were part of a rigorous succession planning and development process.

- Nathalie Généreux was appointed Executive Vice-President – Operations, effective November 1, 2019. With this appointment, Brigitte Hébert, formerly Executive Vice-President – Employee Experience and Operations, will focus on the employee experience.
- Julie Lévesque was appointed Executive Vice-President – Information Technology, effective June 1, 2020, taking over from Dominique Fagnoule, who announced his retirement after seven years with the Bank.
- Laurent Ferreira was appointed Chief Operating Officer on February 1, 2021. As Chief Operating Officer, Mr. Ferreira will provide strategic leadership in support of operations in the Personal and Commercial Banking, Wealth Management, Financial Markets, as well as the Operations and Information Technology segments.

## Compensation of the President and Chief Executive Officer

After conducting a review, the Board and the Human Resources Committee did not make any changes to the target total direct compensation of the President and Chief Executive Officer for fiscal 2020. Given the Bank's fiscal 2020 performance, and considering the pandemic, the President and Chief Executive Officer was awarded direct compensation (including mid-term and long-term compensation) that was below the target, i.e., 94.2% of target. This represents a 2.9% decrease in total compensation paid compared to 2019 and a cumulative decrease of 8.3% since 2018. The decrease was due to the ICP results, which reached 73% of target in 2020 compared to 86% of target in 2019.

## A constant commitment to good governance

As a Board, we continuously adopt best governance practices in order to further improve the Bank's stewardship and risk management functions. The Board 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.

While uncertainty remains around the future course of the pandemic, the Board believes that the Bank is well positioned for long-term success. Our solid performance in 2020 and proven ability to adapt in a shifting environment allow us to have full confidence in our strategic direction and our approach to governance, compensation and oversight of the Employee Experience strategy. Our objective is to ensure that the Bank adapts and thrives in a post-pandemic environment while balancing the needs of all stakeholders.

## 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 regard to Executive Officer compensation.

We believe that our compensation approach, on which you are invited to vote, and that 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  
Chairman 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 and 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 as well as 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 Total shareholder return 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.

These four principles enable the Bank to achieve 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"> <li>✓ We compensate Executive Officers based on the Bank’s financial and share price performance</li> <li>✓ We assess Executive Officer performance by examining financial results, the demonstration of prudent risk management, a clear increase in customers and their satisfaction, and the level of employee engagement</li> <li>✓ We make sure that a significant proportion of compensation is conditional on performance</li> <li>✓ We offer short-, mid- and long-term variable compensation programs based on complementary financial and non-financial metrics</li> <li>✓ We cap the creation of the ICP envelope at 200% of the target</li> <li>✓ We adopt performance criteria that are consistent with the strategic plan approved by the Board</li> <li>✓ We make sure that the variable compensation programs maximize the benefits of the organizational transformation</li> </ul>	<ul style="list-style-type: none"> <li>✗ We do not grant Executive Officers target total direct compensation that has a significant fixed compensation component (fixed compensation represents less than 25% of total direct compensation)</li> <li>✗ We do not offer variable compensation that is not proportional to the performance achieved</li> <li>✗ We do not implement compensation programs without first running simulations on various scenarios of the Bank’s performance</li> </ul>

### 2. Promote sound risk taking

What we do 	What we do not do 
<ul style="list-style-type: none"> <li>✓ We ensure that the Bank maintains an appropriate and coherent balance between expected performance, prudent risk management and compensation awarded</li> <li>✓ We implement compensation policies and practices aligned with the Principles and Standards on Sound Compensation Practices published by the FSB</li> <li>✓ We make sure that a significant portion of Executive Officer variable compensation is deferred to make them accountable for decisions that may entail greater long-term risk</li> <li>✓ We have a policy that bestows the right to cancel and claw back previously awarded variable compensation</li> <li>✓ We reduce or cancel payments to material risk takers if they fail to respect the Bank’s risk tolerance limits</li> <li>✓ 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</li> <li>✓ 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</li> </ul>	<ul style="list-style-type: none"> <li>✗ We do not offer compensation programs that induce material risk takers to take risks that would exceed the tolerance limits defined by the Bank</li> <li>✗ 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 Human Resources and the Risk Management committees</li> </ul>

## 7. Executive Officer compensation

## 3. Reward contribution

What we do 	What we do not do 
<ul style="list-style-type: none"> <li>✓ 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</li> <li>✓ 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</li> <li>✓ We make sure that the Human Resources Committee can use independent external consultants to obtain necessary information about trends and best practices on compensation policies and programs</li> <li>✓ Our benchmarking approach corresponds to best compensation practices. Furthermore, vertical pay ratios are submitted to the Human Resources Committee annually</li> <li>✓ We implement practices that ensure equitable compensation for all employees</li> </ul>	<ul style="list-style-type: none"> <li>✗ We do not use a peer group that represents an ideal or whose profile differs from that of the Bank</li> </ul>

## 4. Align vision with that of Shareholders

What we do 	What we do not do 
<ul style="list-style-type: none"> <li>✓ We apply share ownership guidelines that align the interests of Executive Officers, Officers and material risk takers with the Bank's long-term performance</li> <li>✓ 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 Shareholder interests</li> <li>✓ We invite Shareholders to participate in an advisory vote on the Board's approach to Executive Officer compensation ("say on pay")</li> <li>✓ We implemented a process for collecting and handling questions, comments and suggestions from Shareholders or shareholder associations</li> <li>✓ We communicate regularly with institutional investors, proxy advisory firms and corporate governance advocacy groups on issues raised by them</li> <li>✓ We implemented several measures that ensure sound management of the Stock Option Plan</li> </ul>	<ul style="list-style-type: none"> <li>✗ We do not permit Executive Officers to take gains from exercised stock options without keeping Common Shares of the Bank of a value equal to such gains, until the applicable share ownership requirements are met</li> <li>✗ We do not allow employees to hedge their equity-based compensation</li> <li>✗ We do not grant stock options at a price below the price of the Bank's Common Shares on the Toronto Stock Exchange, and we do not permit the price of existing stock options to be reduced</li> </ul>

## COMPENSATION GOVERNANCE

The Bank views risk governance as an integral part of its development 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 Committee also ensures that the Bank complies with the principles of the FSB.

The following diagram shows the interactions between the Compensation Risk Oversight Working Group and two of the committees set up 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 43.



### Human Resources Committee:

With respect to compensation governance, the role of the 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 in-force regulations and standards;
- ensure that the Bank complies with the Corporate Governance Guideline issued by OSFI and with the Principles and Standards on Sound Compensation Practices issued by the FSB, for which the Canadian implementation and monitoring is 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 total shareholder return; and
- exercise its discretion, as it deems necessary, to adjust the annual variable compensation envelopes.

There were no adjustments made to the variable compensation measures or their target for Executive Officers to counter the effects of the COVID-19 pandemic.

### Competencies of Committee members

In accordance with best governance practices, the Committee is made up entirely of independent directors. All 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, in particular 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 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](#).

All the members serve on some of the Bank’s other Board committees or subcommittee, which helps the 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, Maryse Bertrand, Pierre Boivin and Manon Brouillette have served as members or chairs of human resources committees in other businesses and institutions.

**Training and self-evaluation**

- As part of the continuing education program for directors, Committee members attend, among others, presentations on prudent risk management, and they use the knowledge they acquire in assessing compensation.
- The Committee has built a self-assessment mechanism into the skills improvement process so that members can assess their expertise and experience.
- As part of their orientation and integration program as new directors, Manon Brouillette and Yvon Charest met with several Bank Officers. During these meetings, the directors learned about the Bank's organizational structure, compensation practices and employee experience as well as the Committee's mandate and the obligations of its members.

**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, which work together to design and review compensation programs.
- Each year, the Human Resources Committee receives a letter signed by three Officers tasked with overseeing the variable compensation programs. It confirms that the data used to establish the annual bonus envelopes are consistent with the results for the purposes of 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, refer to the "Human Resources Committee" heading in [Section 6](#) of the Circular for information about the Committee and its activities this past fiscal year.

## 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 provide for the following controls:

Measure	Description
<b>Anti-hedging policy</b>	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.
<b>Variable compensation deferment</b>	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.
<b>Variable compensation clawback policy</b>	<p>Policy entitling the Bank to cancel and claw back not only the deferred portion but also all of the variable compensation awarded to Executive Officers and Officers and Financial Markets specialists in specific circumstances, i.e., when any of the following scenarios arises:</p> <ul style="list-style-type: none"> <li>– an employee has engaged in dishonest actions or unethical behaviour in the course of employment;</li> <li>– an employee has failed to comply with policies, rules or procedures during the fiscal year or thereafter (for up to three years); or</li> <li>– a unit's financial results must be materially restated and reissued and employee compensation is based on those results.</li> </ul>
<b>Independent analysis of Internal Audit</b>	Each year, Internal Audit submits to the Compensation Risk Oversight Working Group and the Human Resources Committee 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 Holders of Common Shares 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, given that this minimum holding must be proportional to the compensation received and given that it is based on the position held
- The Human Resources Committee regularly monitors compliance with the minimum share ownership requirement

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
President and Chief Executive Officer *	7 times
Other Executive Officers	4 times
Officers and certain specialists in the Financial Markets segment	2 to 3 times
Senior Vice-Presidents (or equivalent)	2 times
Vice-Presidents (or equivalent)	1 time

\* In addition, the President and Chief Executive Officer must also maintain the share ownership requirements for a period of one year following his retirement

Period for meeting the requirements

- All individuals have five years from the date of their hiring or promotion to meet these requirements
- 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 is broken down into the major steps described below.



### 1. Setting a competitive total compensation offering

#### Determining the components of the compensation offering

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

When programs are developed, the Human Resources Committee ensures that they comply with the Principles and Standards on Sound Compensation Practices issued by the FSB. The Committee reviews the results of stress tests of various application scenarios for the program in development 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 aims to position their target total compensation at the peer group median (the 50<sup>th</sup> percentile) when results meet expectations. 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 2020 is unchanged from the one used in 2019. It consists of the following banks and financial institutions:

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

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)
Canadian Imperial Bank of Commerce <sup>(1)</sup>	18,741	3,668	20%	44,431	43.9
Bank of Montreal <sup>(1)</sup>	23,478	4,850	21%	51,239	43.4
Royal Bank of Canada <sup>(1)</sup>	43,498	11,164	26%	132,518	83.8
Power Financial Corporation <sup>(2)</sup>	14,711	1,964	13%	23,204	28.4
Sun Life Financial Inc. <sup>(2)</sup>	12,985	2,618	20%	34,804	40.6
The Canada Life Assurance Company <sup>(2)</sup>	11,607	2,359	20%	30,841	24.0
iA Financial Group <sup>(2)</sup>	4,200	687	16%	7,630	7.0
The Bank of Nova Scotia <sup>(1)</sup>	31,336	6,582	21%	67,029	92.0
The Toronto-Dominion Bank <sup>(1)</sup>	40,760	11,628	29%	106,721	89.7
Manulife Financial Corporation <sup>(2)</sup>	23,655	5,430	23%	51,376	35.0
<b>National Bank of Canada <sup>(1)</sup></b>	<b>7,927</b>	<b>1,923</b>	<b>24%</b>	<b>21,484</b>	<b>25.6</b>

(1) The information is as at October 31, 2020.

(2) The information is as at December 31, 2019.

Each year, the Human Resources Committee reviews the competitiveness of the target total direct compensation of Executive Officers. The Committee 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.

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 50<sup>th</sup> 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 takes into account 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 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 the compensation surveys, in which the Bank participates each year, on market practices and compensation levels for all positions.

### Hugessen:

Several compensation initiatives were implemented in fiscal 2019 and the Human Resources Committee retained the services of Hugessen Consulting on an ad hoc basis to examine certain aspects of Officer compensation.

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

Independent external consultants	Fiscal 2020			Fiscal 2019		
	Executive Officer compensation – Related fees	Other fees	Total	Executive Officer compensation – Related fees	Other fees	Total
Korn Ferry	\$170,513 50%	\$167,707 <sup>(1)</sup> 50%	\$338,220 100%	\$156,483 74%	\$53,826 <sup>(2)</sup> 26%	\$210,309 100%
Hugessen Consulting	\$– –%	\$– –%	\$– –%	\$74,705 100%	\$– –%	\$74,705 100%
<b>Grand total</b>	<b>\$170,513</b> <b>50%</b>	<b>\$167,707</b> <b>50%</b>	<b>\$338,220</b> <b>100%</b>	<b>\$231,188</b> <b>81%</b>	<b>\$53,826</b> <b>19%</b>	<b>\$285,014</b> <b>100%</b>

- (1) Total costs related to the Bank's participation in compensation surveys for employees who are not Officers (2020) and for recruiting services.
- (2) Total costs related to the Bank's participation in compensation surveys for employees who are not Officers (2019).

## 2. Setting performance objectives and assessing performance

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 to ensure the best client and employee experience. In line with the Bank's Board-approved business plan, 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. 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.

To further strengthen alignment as we carry out our One Mission, a single scorecard with common objectives is used for the President and Chief Executive Officer, all Executive Officers and all Officers.

All employees undergo an assessment in which behaviours favoured by the Bank 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 on people's lives. Our principles, which are approved by the Board of Directors, demonstrate the importance we place on sustainable development and maintaining the best balance of interests between the stakeholders 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 segments as well as the strategic initiatives they oversee.

### 3. Granting variable compensation

#### Creation of envelopes

The creation of short-, mid- and long-term variable compensation envelopes is based on a pre-set target compensation level for each Executive Officer.

With respect to short-term variable compensation, the envelopes created depend on the degree to which the Bank has achieved its annual financial objectives and on the client satisfaction scores. They are established based on the following parameters:



As approved by the Board and described in more detail in the Short-Term Variable Compensation section on [page 89](#), four measures were used to set the Bank's performance factor for fiscal 2020:

- Available net income (ANI)
- Operating leverage
- Two measures of client satisfaction i.e., the net promoter score, and net client growth (NCG)

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

In 2020, the Board exercised its discretion to adjust the annual variable compensation envelopes 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 employees. The Board did not make any adjustments to the variable compensation measures or their target for Executive Officers to counter the effects of the COVID-19 pandemic. As of November 1, 2020, the compensation program, including base salary and short-, mid- and long-term variable compensation for all Officers, will be financed primarily by a predetermined portion of the Bank's available net income.

#### Adjusting annual variable compensation envelopes 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, the annual variable compensation envelopes downward or upward. In order 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 weightings 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.

**Assessing performance and approving awards**

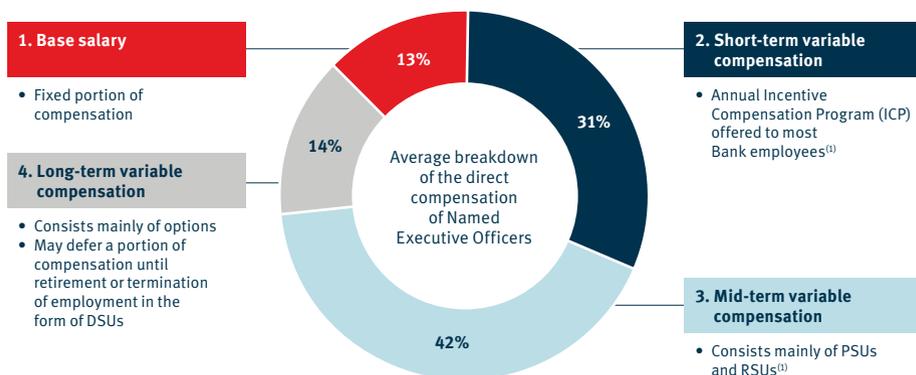
Following the creation of these envelopes, the final step in the award process consists of an individual and business line performance evaluation against the objectives set out at the beginning of the fiscal year for Executive Officers and Officers. After considering the recommendations made by the Human 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 2020 awards approved for each Named Executive Officer are presented on [pages 94 to 100](#) of the Circular.

## COMPENSATION OF NAMED EXECUTIVE OFFICERS

This section presents information on target total direct compensation and on the compensation awarded to Named Executive Officers for the fiscal year ended October 31, 2020.

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

### Components of target total direct compensation



	Target total direct compensation for 2020				2020 compensation granted	2019 compensation granted	
Louis Vachon	14.3%	21.4%	42.9%	21.4%	\$7,875,000	\$7,419,410	\$7,638,796
Ghislain Parent	20.4%	26.5%	32.7%	20.4%	\$2,205,000	\$2,047,081	\$2,123,129
Laurent Ferreira <sup>(1)</sup>	7.1%	37.2%	48.6%	7.1%	\$6,312,500	\$5,744,390	\$5,691,126
Denis Girouard <sup>(1)</sup>	7.1%	37.2%	48.6%	7.1%	\$6,312,500	\$5,744,390	\$5,691,126
Martin Gagnon	15.7%	33.1%	35.5%	15.7%	\$3,016,250	\$2,746,959	\$2,876,645

■ Base salary ■ Short-term compensation ■ Mid-term compensation ■ Long-term compensation

(1) A portion of the annual bonus of Laurent Ferreira and Denis Girouard is deferred in the form of RSUs. At least 60% of their variable compensation must be deferred.

## 1. 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 the compensation is competitive relative to that offered by the Bank’s peer group. It also recognizes the level of responsibility, expertise, competence, and experience.

## 2. SHORT-TERM VARIABLE COMPENSATION

In accordance with the Bank’s compensation policies, the purpose of short-term variable compensation is to recognize annual financial performance and client satisfaction. The individual annual bonus granted considers the prudence demonstrated in risk management. A portion of this bonus may be deferred to reflect the risk horizons involved.

### ANNUAL INCENTIVE COMPENSATION PROGRAM (ICP)

<p><b>Features / reasons for payment</b></p>	<ul style="list-style-type: none"> <li>• For Executive Officers and most Officers and employees, the ICP is designed to: <ul style="list-style-type: none"> <li>– Strengthen the value of cooperation among all segments</li> <li>– Encourage employees to: <ul style="list-style-type: none"> <li>› generate sustained and growing earnings, year after year</li> <li>› accelerate the organizational transformation</li> <li>› improve client satisfaction</li> </ul> </li> <li>– Share part of that success with employees</li> <li>– Recognize and reward employees whose performance exceeds expectations</li> </ul> </li> </ul>		
<p><b>Indicators</b></p>	<p><b>Indicator</b></p>	<p><b>Definition</b></p>	<p><b>Weighting in total result</b></p>
	<p><b>Financial measures</b></p>		
	<p>Available net income (ANI)</p>	<p>Net income less dividends on preferred shares, distributions on other equity instruments and the amount attributable to non-controlling interests</p>	<p>70%</p>
	<p>Operating leverage</p>	<p>Operational Efficiency Measure</p>	<p>10%</p>
	<p><b>Client experience measures</b></p>		
<p>Net promoter score</p>	<p>Measure of client loyalty</p>	<p>20%</p>	
<p>Net client growth (NCG)</p>	<p>A measure that seeks to recognize both the acquisition of new clients and existing client retention and engagement</p>		
<p><b>Grant</b></p>	<ul style="list-style-type: none"> <li>• Individual bonuses are awarded based on: <ul style="list-style-type: none"> <li>– the extent to which the Bank meets its financial objectives and the client satisfaction score</li> <li>– an assessment of leadership behaviour and adherence to the Bank’s values</li> <li>– position level</li> <li>– individual results attained</li> <li>– compliance with the Bank’s risk appetite in achieving results</li> </ul> </li> </ul>		
<p><b>Payment</b></p>	<ul style="list-style-type: none"> <li>• Bonuses are paid annually in cash and reflect performance metric results as well as grant criteria. Envelope creation can range between 0% and 200%</li> <li>• The Board has discretionary power to adjust variable compensation envelopes upward or downward as it deems necessary. Such adjustments would be necessary if the result of the bonus formula did not reflect all relevant factors, such as performance, risks, or any unforeseen situation during the year</li> <li>• In 2020, 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 employees. There were no adjustments made to the variable compensation measures or their target for Executive Officers to counter the effects of the COVID-19 pandemic</li> <li>• The Compensation Risk Oversight Working Group reviews the levels of the various risks incurred during the year and, if deemed necessary, advises the Human Resources Committee to adjust the annual bonus envelopes downward</li> </ul>		
<p><b>Clawback of variable compensation</b></p>	<ul style="list-style-type: none"> <li>• In accordance with the variable compensation clawback policy, payments made to employees subject to the policy may be clawed back in specific circumstances</li> </ul>		

**Calculating the short-term compensation (ICP) performance factor for fiscal 2020**

Four measures were used in the fiscal 2020 ICP calculation formula: Available net income attributable to Holders of Common Shares, operating leverage, and the client experience measures; i.e., net promoter score and net client growth. These measures are described on [page 89](#).

The Human Resources Committee approved the creation of annual bonus envelopes at 73% for all Officers to whom the ICP formula applies, as presented below:

Fiscal 2020						
Indicators	Weighting	Threshold (0%)	Target (100%)	Maximum (200%)	Result for compensation purposes (% of envelope creation)	Weighted result (rounded)
<b>Financial ratios</b>						
Available net income attributable to Holders of Common Shares	70%	\$1,819M	\$2,274M	\$2,729M	<b>\$2,046M (50%)</b>	35%
						
Operating leverage	10%	(2.3)%	0.7%	3.7%	<b>1.6% (130%)</b>	13%
						
<b>Client experience measures</b>						
Net promoter score and net client growth <sup>(1)</sup>	20%	0%	100%	200%	<b>(125%)</b>	25%
						
<b>Bank's overall performance</b>						<b>73%</b>

For fiscal 2020, the Bank reported available net income attributable to Holders of Common Shares of \$1,923 million. However, for the purposes of the annual bonus program, the Board approved the Human Resources Committee's recommendation to exclude, as in past years, all specified items, which resulted in a \$123 million, net of tax, upward adjustment to net income. The specific items that are beyond the control of employees are mainly foreign exchange losses on the disposal of subsidiaries, impairment of fixed assets and severance pay. As a result, the final available net income attributable to Holders of Common Shares used for compensation purposes was \$2,046 million.

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

The fiscal 2020 annual bonuses approved for each Named Executive Officer are presented on [pages 94 to 100](#) of the Circular.

(1) Not reported as the Bank considers this information to be competitively sensitive. In addition, given that the Bank has decided to gradually implement the metric such that it can be aligned across the organization over time and considering the evolving context, comparing the targets set from one year to the next is difficult.

### 3. MID-TERM VARIABLE COMPENSATION

The purpose of mid-term variable compensation is to align the vision and expectations with respect to Executive Officers and Officers with those of Shareholders on a three-year horizon.

	Performance Share Units (PSU)	Restricted Share Units (RSUs)								
<b>Features / reasons for payment</b>	<ul style="list-style-type: none"> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>Designed to tie a portion of the value of certain Officers' compensation to the future value of the Bank's Common Shares</li> </ul>								
<b>Financial indicator</b>	<ul style="list-style-type: none"> <li>Growth in the price of the Bank's Common Shares; and</li> <li>Growth in the Bank's TSR compared to growth in the average TSR of the comparator group of Canadian banks ("relative TSR")<sup>(1)</sup></li> </ul>	<ul style="list-style-type: none"> <li>Growth in the price of the Bank's Common Shares</li> </ul>								
<b>Grant</b>	<ul style="list-style-type: none"> <li>The value granted to each Executive Officer is generally based on a pre-set target compensation level. However, the Bank also considers the Officer's consistent contribution over time, leadership potential, and individual performance at the time of the award. Ultimately, the Human Resources Committee also has discretionary power over the value of annual awards</li> <li>The number of PSUs and 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</li> <li>Additional PSUs and RSUs are credited to the participant's account in an amount proportional to the dividends paid on the Bank's Common Shares</li> </ul>									
<b>Vesting</b>	<ul style="list-style-type: none"> <li>After three years</li> </ul>	<ul style="list-style-type: none"> <li>There are two possible types of vesting for RSUs: Full vesting after three years and vesting in equal portions spread over three years</li> </ul>								
<b>Payment<sup>(2)</sup></b>	<ul style="list-style-type: none"> <li>At 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</li> </ul> <div style="border: 1px solid black; padding: 10px; margin: 10px 0;"> <math display="block">\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 years}}</math> </div> <ul style="list-style-type: none"> <li>The adjustment to the payable value, based on the relative TSR, is established in a linear manner within the following limits:</li> </ul> <table border="1" style="margin: 10px 0;"> <thead> <tr> <th>Relative TSR result</th> <th>Adjustment range of payable value</th> </tr> </thead> <tbody> <tr> <td>≥ 1.25</td> <td>125%</td> </tr> <tr> <td>= 1.00</td> <td>100%</td> </tr> <tr> <td>≤ 0.75</td> <td>75%</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>The Board has discretionary power to adjust the amount to be paid out 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</li> </ul>		Relative TSR result	Adjustment range of payable value	≥ 1.25	125%	= 1.00	100%	≤ 0.75	75%
Relative TSR result	Adjustment range of payable value									
≥ 1.25	125%									
= 1.00	100%									
≤ 0.75	75%									
<b>Clawback of variable compensation</b>	<ul style="list-style-type: none"> <li>In accordance with the variable compensation clawback policy, payments made to employees subject to the policy may be clawed back in specific circumstances</li> </ul>									

(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.

(2) The period of PSUs granted in 2017 and vested in 2020 by Executive Officers resulted in a relative TSR above that of the banks included in the comparator group. Consequently, a PSU payment with a performance factor of 125.0% was awarded to participants.

## 4. LONG-TERM VARIABLE COMPENSATION

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

	Stock Options	Deferred Share Units (DSUs)
<b>Features / reasons for payment</b>	<ul style="list-style-type: none"> <li>• Designed to retain Executive Officers and eligible Officers and to encourage them to contribute to the Bank's success and to work towards growing the value of the investment of Holders of Common Shares</li> <li>• Each 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</li> <li>• The price of stock options already granted cannot be lowered, under any circumstances, to reflect 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 provided the Bank's Common Share price increases steadily over the long term</li> </ul>	<ul style="list-style-type: none"> <li>• Designed to tie a portion of the value of the compensation of Executive Officers and eligible Officers to the future value of the Bank's Common Shares</li> <li>• DSUs cannot be cashed as long as the participant is employed by the Bank</li> </ul>
<b>Financial indicator</b>	<ul style="list-style-type: none"> <li>• Growth in the price of the Bank's Common Shares</li> </ul>	
<b>Grant</b>	<ul style="list-style-type: none"> <li>• Each year, when granting stock options, the Human Resources Committee considers the number and term of previously granted stock options</li> <li>• The number of stock options granted is based on: <div style="border: 1px solid black; padding: 10px; margin: 10px 0;"> <math display="block">\frac{\text{the dollar value of the grant}}{\text{the value determined using the Black-Scholes model}}</math> </div> </li> <li>• 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</li> </ul>	<ul style="list-style-type: none"> <li>• Executive Officers and Officers may elect to receive up to 30% of their long-term compensation in the form of DSUs</li> <li>• The number of DSUs granted is based on: <div style="border: 1px solid black; padding: 10px; margin: 10px 0;"> <math display="block">\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}}</math> </div> </li> <li>• Additional DSUs are credited to the account of the Executive Officer and the Officer in an amount proportional to the dividends paid on the Common Shares</li> </ul>
<b>Vesting</b>	<ul style="list-style-type: none"> <li>• 25% per year, over a four-year period</li> </ul>	

## 7. Executive Officer compensation

	Stock Options	Deferred Share Units (DSUs)
Payment	<ul style="list-style-type: none"> <li>• No stock options may be exercised in the first year after the grant date</li> <li>• Vested stock options may be exercised: <ul style="list-style-type: none"> <li>– only during quarterly transaction periods, as established by the Bank’s Legal Affairs department, following the release of the financial statements</li> <li>– 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)</li> <li>– in whole or in part before the expiration date set by the Human Resources Committee at the time the stock options are granted; however, where the expiration date falls within or immediately after a black-out period, the expiration date of the stock options is deferred, as applicable, (i) by ten business days if the expiration date falls during the black-out 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 black-out period and the expiration date if such date falls no later than ten business days after the end of the black-out period</li> </ul> </li> <li>• 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</li> <li>• For information on the treatment of stock options according to the reason for departure, please refer to the table “Conditions applicable in the event of termination of employment” on <a href="#">page 111</a></li> </ul>	<ul style="list-style-type: none"> <li>• DSUs may be redeemed only upon termination of employment or retirement of the Executive Officer or Officer</li> <li>• A participant may redeem vested DSUs by filing redemption notices during a fixed period after termination of employment</li> </ul>
Clawback of variable compensation	<ul style="list-style-type: none"> <li>• In accordance with the variable compensation clawback policy, payments made to employees subject to the policy may be clawed back in specific circumstances.</li> </ul>	

## 7. Executive Officer compensation



**LOUIS VACHON**  
President and Chief Executive Officer

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.

**2020 performance indicators and results**

To assess Louis Vachon's 2020 performance, the Human Resources Committee examined the results obtained with respect to the objectives set out in the scorecard applicable to all Executive Officers as well as the Bank's short-, mid- and long-term results, risk management and the Bank's strategic, organizational and operational priorities. Under Louis Vachon's leadership, 2020 will have served as a crucial test for the Bank's One Mission. Due to the corporate culture, the Bank was able to adapt quickly to this new environment and have a positive impact on its clients, employees and communities, while continuing to generate value for Shareholders.

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

Pillar of social responsibility	Result obtained	Achievements
<b>Shareholders</b>		
Revenue growth of at least 5% (excluding specified items)	7.2%	The Bank's results for the year ended October 31, 2020 were marked by the repercussions of this unprecedented crisis, in particular the significant increase in provisions for credit losses. Our businesses performed well in an unpredictable environment in 2020, with revenue growth across all segments and an increase in income before provisions for credit losses and income taxes compared to last year. The Bank's sustained performance helped generate net income excluding specified items of \$2.2 billion in 2020, down 4.7% year over year.
Net earnings per share growth of at least 5% (excluding specified items)	(4.7)%	In 2020, the Bank met the following medium-term objectives:
Return on equity of over 15% (excluding specified items)	15.8%	<ul style="list-style-type: none"> <li>Return on equity excluding specified items stood at 15.8%, among the best in the industry</li> <li>The Common Equity Tier 1 capital ratio was 11.8%</li> </ul>
Efficiency ratio at 54.1% (taxable equivalent basis and excluding specified items)	53.7%	<ul style="list-style-type: none"> <li>During the year, the Bank raised its dividend for a total increase of 7% and returned additional capital to Shareholders through Common Share repurchases. These repurchases and the increased dividend were carried out before March 13, 2020, when OSFI lowered the domestic stability buffer and indicated that it was expecting all banks to cease any dividend increases or share buybacks</li> </ul>
CET1 capital ratio greater than 10.75%	11.8%	<ul style="list-style-type: none"> <li>A higher leverage ratio and capital ratios in excess of regulatory requirements were achieved, providing the Bank the flexibility to invest in growth initiatives and return capital to Shareholders</li> </ul> <p>Amidst all the market volatility in 2020, the Bank once again delivered industry-leading total returns to its Shareholders, i.e., -1.5%, 5.1%, 12.9%, 11.3% and 12.9% in the one-, three-, five-, ten- and twenty-year periods, respectively.</p>
<b>Employees</b>		
Organizational innovations that support the One Mission and are designed to have a positive impact on employees	✓	<p>Having a positive impact on the lives of people, including the Bank's employees, is part of the Bank's mission statement. The evolution of the Bank's culture into a highly collaborative and agile organization has proven to be a true competitive advantage.</p> <p>The 4% increase in results from the most recent survey on employee engagement and experience is a reflection of our proactive and humane management of the pandemic, which has had real impacts. During the pandemic, considerable effort was made to increase the frequency of communications and discussions with employees in order to monitor the progress of the management of the COVID-19 situation and measure the level of employee well-being.</p> <p>Pandemic-related support measures were deployed for employees: job protection and maintenance of the salary management exercise, organization of remote work for more than 13,000 employees, implementation of health measures in all of the Bank's facilities, an increase to the wellness account and services (conference on stress management, access to new tools and services for better mental health), and the payment of a temporary allowance of \$50/day to employees whose physical presence was required in the workplace.</p> <p>In 2020, attention was focused on the launch of the new employer brand and new recruitment practices to promote diversity and the achievement of established targets, as well as the deployment of new collaborative work tools. In addition, the Bank continued to deploy initiatives to support collaboration and connectivity, promote diversity and maintain a high level of engagement in these challenging times.</p>



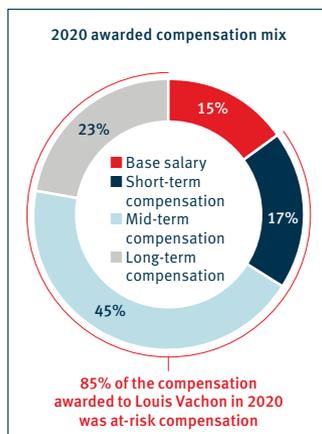
## 7. Executive Officer compensation

**Target and awarded compensation related to 2020 incentive compensation**

No adjustments have been made to Louis Vachon's target total direct compensation since fiscal 2014. In determining Louis Vachon's variable compensation for fiscal 2020, the Human Resources Committee considered not only the Bank's good performance in a difficult situation, but also the leadership that Louis Vachon demonstrated by implementing the One Mission, and the ongoing effort towards organizational transformation as well as in his ability to motivate employees to build a high-performing, change-capable organization.

Given the Bank's performance and the Incentive Compensation Program being at 73% of target, the total direct compensation paid was 94% of the target for 2020, in accordance with the recommendation made by the Human Resources Committee and as per Board approval:

	Total direct compensation targeted		Total direct compensation awarded	
	(\$)	% of salary	(\$)	(%)
<b>Fixed compensation</b>				
Base salary	1,125,000	n.a.	1,125,015	15
<b>Variable compensation</b>				
Short-term compensation	1,687,500	150	1,231,875	17
Mid-term compensation (PSUs)	3,375,000	300	3,375,000	45
Long-term compensation (Options)	1,687,500	150	1,687,520	23
<b>Total</b>	<b>7,875,000</b>		<b>7,419,410</b>	<b>100</b>

**Share ownership requirements**

As at October 31, 2020, Louis Vachon was compliant with his share ownership requirements of 7 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., \$63.94. In addition, the President and Chief Executive Officer is required to meet share ownership requirements for a period of one year following his retirement.

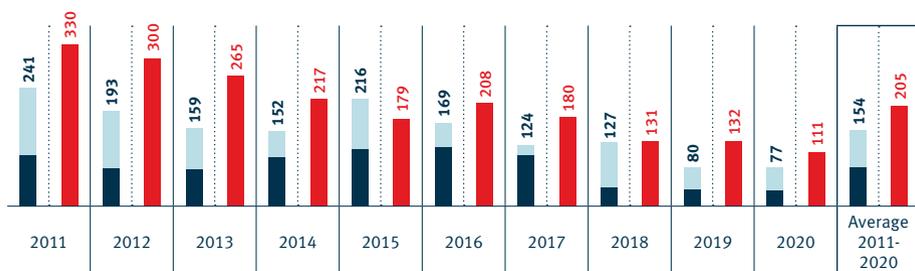
Total shares	DSUs	PSUs	RSUs	Appreciation in value of vested stock options	Total value	Actual multiple
\$19,027,976	\$0	\$10,922,205	\$0	\$37,525,824	\$67,476,006	60.0 times

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

A significant portion of the President and CEO'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 \$154 on December 31, 2020. 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 \$205. 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 CEO and the total return to the Bank's Shareholders since 2011. For each fiscal year, we present:

- Value on December 31, 2020 of \$100 paid as direct compensation to Louis Vachon for each fiscal year
- Realized compensation <sup>(1)</sup>
- Realizable compensation (at-risk) <sup>(2)</sup>
- Value on December 31, 2020 of a \$100 investment in Common Shares of the Bank on the first day of the fiscal year



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, 2020.

Year	Value of direct compensation at the time of award <sup>(1)</sup> (M\$)	Value of actual direct compensation <sup>(2)</sup> as at December 31, 2020 (M\$)	Period	Value of \$100	
				Louis Vachon	Bank Shareholders
2011	7.44	17.45	Oct. 29, 2010 – Dec. 31, 2020	241	330
2012	5.53	13.79	Oct. 31, 2011 – Dec. 31, 2020	193	300
2013	5.43	11.37	Oct. 31, 2012 – Dec. 31, 2020	159	265
2014	8.15	12.54	Oct. 31, 2013 – Dec. 31, 2020	152	217
2015	9.06	16.91	Oct. 31, 2014 – Dec. 31, 2020	216	179
2016	9.08	12.81	Oct. 31, 2015 – Dec. 31, 2020	169	208
2017	9.01	10.65	Oct. 31, 2016 – Dec. 31, 2020	124	180
2018	3.02	10.28	Oct. 31, 2017 – Dec. 31, 2020	127	131
2019	2.58	6.12	Oct. 31, 2018 – Dec. 31, 2020	80	132
2020	2.36	5.70	Oct. 31, 2019 – Dec. 31, 2020	77	111
<b>Average 2011 – 2020</b>				<b>154</b>	<b>205</b>

- (1) Represents realized compensation: salary, annual bonus paid, paid RSUs and PSUs and exercised stock options.
- (2) Represents the total of realized and realizable compensation. Realizable compensation is the actual value of non-vested PSUs and unexercised stock options.

## 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 and the international business segment, including capital management, taxation, investor relations and financial governance. Mr. Parent is a member of the Bank's Office of the President.

**2020 achievements and highlights**

Under the management and leadership of Ghislain Parent, the Bank achieved the targeted results on four of the five medium-term objectives, despite the unprecedented environment in fiscal 2020, and achieved the following strategic objectives:

- The Bank's net income of \$2,083 million for fiscal 2020, down from \$2,322 million in fiscal 2019. Despite growth in income before provision for credit losses and income tax expense in 2020 compared to 2019, the target was not met primarily due to the significant increase in the provision for credit losses during the year following the significant deterioration in the macroeconomic outlook caused by COVID-19 and the expected impact on clients.
- As at October 31, 2020, the CET1 capital ratio, the Tier 1 capital ratio and the Total capital ratio stood above regulatory requirements at 11.8%, 14.9% and 16.0%, respectively.
- The efficiency ratio continued to improve, reaching 53.7% in fiscal 2020 from 54.5% in 2019.
- In 2020, the Bank raised its dividend per share by 7% and returned \$30 million in additional capital to Shareholders through share repurchases. These repurchases were carried out before March 13, 2020, when OSFI lowered the domestic stability buffer and indicated that it was expecting all banks to cease any dividend increases or share buybacks. For the quarter ended October 31, 2020, the Bank's average liquidity coverage ratio was 161%, well above the 100% regulatory requirement and demonstrating the Bank's solid liquidity position.
- The U.S. Specialty Finance and International segment, led by Ghislain Parent, posted a net income of \$352 million for the fiscal year ended October 31, 2020 compared to \$279 million in fiscal 2019. The segment's total revenues amounted to \$820 million, up 15% from \$715 million in 2019 owing primarily to higher revenues from the ABA Bank subsidiary.
- The construction project for the Bank's new head office in Montreal, under Mr. 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.

**Target compensation for 2020**

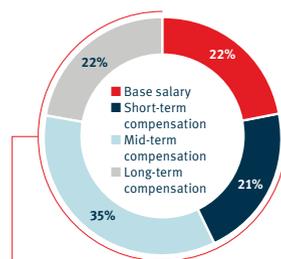
Ghislain Parent's target total direct compensation did not change in 2020.

**Performance and awards related to 2020 incentive compensation**

The Human Resources Committee reviewed Ghislain Parent's overall performance and achievements to set the fiscal 2020 variable compensation. The Board approved the following compensation in accordance with the results of the short-term variable compensation program and further to the recommendation made by the Human Resources Committee:

	Target total direct compensation for 2020		Total direct compensation awarded in 2020	
	(\$)	% salary	(\$)	(%)
<b>Fixed compensation</b>				
Base salary	450,000	n.a.	450,006	22
<b>Variable compensation</b>				
Short-term compensation	585,000	130	427,050	21
Mid-term compensation (PSUs)	720,000	160	720,000	35
Long-term compensation (Options)	450,000	100	315,025	15
DSUs <sup>(1)</sup>	n.a.	n.a.	135,000	7
<b>Total</b>	<b>2,205,000</b>		<b>2,047,081</b>	<b>100</b>

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

**2020 awarded compensation mix**


78% of the compensation awarded to Ghislain Parent in 2020 was at-risk compensation

**Share ownership requirements**

As at October 31, 2020, Ghislain Parent was compliant with his share ownership requirements of 4 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., \$63.94.

Total shares	DSUs	PSUs	RSUs	Appreciation in value of vested stock options	Total value	Actual multiple
\$383,640	\$2,490,003	\$2,330,070	\$0	\$2,597,849	\$7,801,562	17.3 times

## 7. Executive Officer compensation



**LAURENT FERREIRA**  
Chief Operating Officer

Laurent Ferreira was appointed Chief Operating Officer on February 1, 2021. As Chief Operating Officer, Mr. Ferreira will provide strategic leadership in support of activities of the Personal and Commercial Banking, Wealth Management and Financial Markets segments. He will also be responsible for the Operations and Information Technology segments.



**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 since November 1, 2018. In 2020, they were responsible for the Bank's wholesale banking activities and treasury activities, including Investment Banking, Corporate Banking, Equity, Fixed Income, and Derivatives. Laurent Ferreira and Denis Girouard were also responsible for executing the mandate of the Bank's Transformation Office and were therefore in charge of the Bank's strategic initiatives portfolio, which focuses on driving efficiency, simplicity, innovation and culture change throughout the organization. They are members of the Bank's Office of the President.

## 2020 achievements and highlights

Despite the pandemic, the Financial Markets segment delivered strong results in 2020. However, the increase in all types of revenues in the segment was partly offset by higher provisions for credit losses during the year as a result of the significant deterioration in the macroeconomic outlook caused by COVID-19 and the expected impacts on the segment's clients. Revenues from the Global Markets category posted year-over-year growth due to revenues from equity securities and from fixed-income securities and revenues from commodities and foreign exchange activities. As for corporate and investment banking revenues, they increased due to higher revenues from capital markets activity, in particular issuances of government bonds, and revenues from merger and acquisition activities.

- Net income in the Financial Markets segment totalled \$740 million in fiscal 2020, up 5% year over year.
- Total revenues were \$2,054 million, up \$303 million from \$1,751 million in fiscal 2019.
- The segment's fiscal 2020 efficiency ratio was 39.4% in fiscal 2020 versus 42.5%<sup>(1)</sup> in 2019.
- The Financial Markets segment remains at the forefront of government debt underwriting, due in part to its mandates as lead and joint lead on several Canada Mortgage Bonds issuances totalling \$30.5 billion and joint lead on the largest U.S. dollar issue ever carried out by the Province of Quebec in an amount of US\$3.25 billion.
- In 2020, Financial Markets under the management of Laurent Ferreira and Denis Girouard strengthened its relationships with international networks by issuing more than \$1.5 billion in notes outside Canada to an increasingly diverse variety of investors.
- The segment is the largest market maker in exchange-traded funds (ETFs) in Canada, and we are strengthening our leadership position by deploying the next generation of trading systems.
- The segment has acted as a strategic partner for clients by expanding its presence in advisory services, for example as a financial co-advisor to Cirque du Soleil Inc. in its restructuring process and with SSR Mining concerning its merger with Alacer Gold Corp.

The Transformation Office, led by Laurent Ferreira and Denis Girouard, coordinated strategic projects and initiatives and improved how deployment thereof was orchestrated and sequenced in order to better support the Bank's transformation and place even more emphasis on client experience and employee experience.

(1) For the year ended October 31, 2019, certain amounts have been reclassified from those previously reported.

## Target compensation for 2020

Target total direct compensation for Laurent Ferreira and Denis Girouard did not change in 2020.

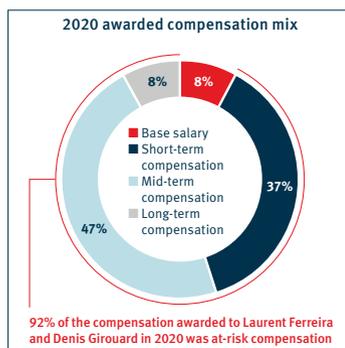
## Performance and awards related to 2020 incentive compensation

The Human Resources Committee reviewed the distinctive performance and achievements of Laurent Ferreira and Denis Girouard to set their fiscal 2020 variable compensation. The Board approved the following compensation in accordance with the results of the short-term variable compensation program and further to the recommendation made by the Human Resources Committee:

	Target total direct compensation for 2020		Total direct compensation awarded in 2020	
	(\$)	% salary	(\$)	(%)
<b>Fixed compensation</b>				
Base salary	450,000	n.a.	450,006	8
<b>Variable compensation</b>				
Short-term compensation	2,345,000	988 <sup>(1)</sup>	2,117,750	37
Mid-term compensation (RSUs)	2,100,000	n.a. <sup>(1)</sup>	1,759,125	30
Mid-term compensation (PSUs)	967,500	215	967,500	17
Long-term compensation (Options)	450,000	100	450,009	8
<b>Total</b>	<b>6,312,500</b>		<b>5,744,390</b>	<b>100</b>

(1) The annual bonus of the co-heads is now 100%-based on the Bank's ICP to ensure strong alignment to the realization of the One Mission. A portion of the annual bonus is deferred in the form of RSUs, given that at least 60% of the variable compensation must be deferred.

## 2020 awarded compensation mix



## Share ownership requirements

As at October 31, 2020, Laurent Ferreira and Denis Girouard were compliant with their share ownership requirements of 4 times the average base salary of the last three years. The following table presents the shareholdings of Laurent Ferreira and Denis Girouard at that date based on the closing price of the Bank's Common Shares on the Toronto Stock Exchange, i.e., \$63.94.

	Total shares	DSUs	PSUs	RSUs	Appreciation in value of vested stock options	Total value	Actual multiple
Laurent Ferreira	\$2,966,816	\$0	\$2,113,974	\$5,929,501	\$1,393,974	\$12,404,264	27.6 times
Denis Girouard	\$1,918,200	\$0	\$3,131,032	\$4,299,408	\$2,515,525	\$11,864,165	26.4 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 as 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. Mr. Gagnon is a member of the Bank's Office of the President.

### 2020 achievements and highlights

The Wealth Management segment, managed by Martin Gagnon, is the leading franchise in Quebec and is firmly established across Canada with a differentiated positioning. The segment's business mix and client-facing strategy, supported by the strategic and technology choices we have made in the past, proved successful in 2020. Transaction volumes were high through the beginning of the pandemic, more than offsetting market declines. In the second quarter, assets under administration and management returned to pre-crisis levels. Despite the unpredictable environment, the Wealth Management segment performed well in 2020:

- The segment's net income totalled \$539 million in fiscal 2020, up \$45 million or 9% from \$494 million<sup>(1)</sup> in fiscal 2019.
- The segment's total revenues increased \$112 million to \$1,855 million in 2020, compared to \$1,743 million in 2019.
- The 2020 efficiency ratio was 60.1%, an improvement of 1.5 percentage points from 61.6%<sup>(1)</sup> in 2019.
- As at October 31, 2020, assets under administration and under management totalled \$596.7 billion, rising \$31.3 billion or 5.5% from October 31, 2019 due to net inflows into various solutions and to stronger stock market performance in fiscal 2020.

#### Key strategic achievements of the Wealth Management segment:

- Produced digital content to support clients during the COVID-19 crisis.
- Continued deploying a strategy based on objectives and life stages.
- Exchanged-traded funds (ETFs) launched by National Bank Investments Inc.
- Improved the cross-selling strategy in partnership with other Bank segments.
- Strong growth of services rendered by the Bank to independent firms.
- Exceptional adaptation of our ways of working and communicating during a pandemic through accelerated implementation and adoption of remote work tools.

(1) For the year ended October 31, 2019, certain amounts have been reclassified from those presented previously.

### Target compensation for 2020

Martin Gagnon's target total direct compensation did not change in 2020.

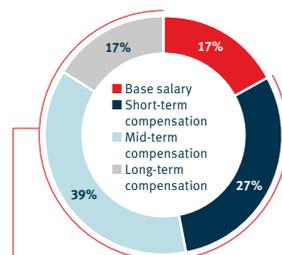
### Performance and awards related to 2020 incentive compensation

The Human Resources Committee reviewed Martin Gagnon's overall performance and achievements to set the fiscal 2020 variable compensation. The Board approved the following compensation in accordance with the results of the short-term variable compensation program and further to the recommendation made by the Human Resources Committee:

	Target total direct compensation for 2020		Total direct compensation awarded in 2020	
	(\$)	% salary	(\$)	(%)
<b>Fixed compensation</b>				
Base salary	475,000	n.a.	475,015	17
<b>Variable compensation</b>				
Short-term compensation	997,500	210	728,175	27
Mid-term compensation (PSUs)	1,068,750	225	1,068,750	39
Long-term compensation (Options)	475,000	100	332,519	12
Long-term compensation (DSUs) <sup>(1)</sup>	n.a.	n.a.	142,500	5
<b>Total</b>	<b>3,016,250</b>		<b>2,746,959</b>	<b>100</b>

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

### 2020 awarded compensation mix



83% of the compensation awarded to Martin Gagnon in 2020 was at-risk compensation

### Share ownership requirements

As at October 31, 2020, Martin Gagnon was compliant with his share ownership requirements of 4 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., \$63.94.

Total shares	DSUs	PSUs	RSUs	Appreciation in value of vested stock options	Total value	Actual multiple
\$960,563	\$1,132,231	\$3,458,698	\$0	\$2,718,805	\$8,270,298	17.4 times

## 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.

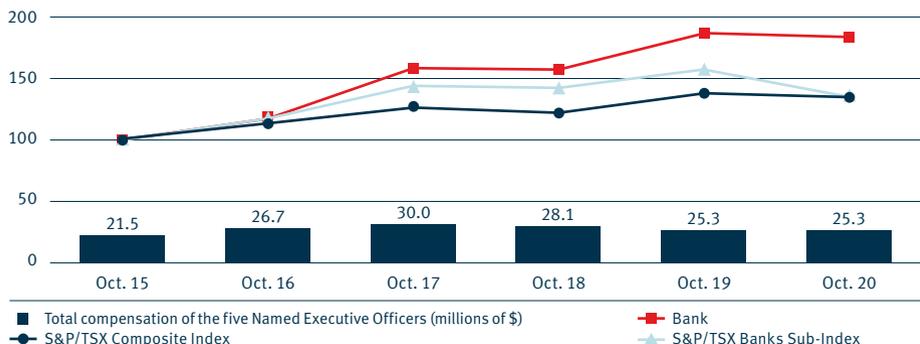
Name and principal position	Year	Salary (\$)	Share-based awards (\$) <sup>(1)(2)(3)</sup>	Option-based awards (\$) <sup>(1)(5)</sup>	Non-equity incentive plan compensation		Pension value (\$) <sup>(7)</sup>	All other compensation (\$) <sup>(8)</sup>	Total compensation (\$)
					Annual incentive plans (\$) <sup>(6)</sup>	Long-term incentive plans (\$)			
<b>Louis Vachon</b> President and Chief Executive Officer	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
	2018	1,125,015	3,375,000	1,687,503	1,890,000	–	788,000	4,768	8,870,286
<b>Ghislain Parent</b> Chief Financial Officer and Executive Vice-President – Finance	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
	2018	450,006	855,000	315,025	655,200	–	154,000	1,006	2,430,237
<b>Laurent Ferreira</b> <sup>(9)(10)</sup> Chief Operating Officer	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
<b>Denis Girouard</b> <sup>(9)</sup> Executive Vice-President – Financial Markets	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
	2018	450,006	3,282,297	450,023	2,488,198	–	223,000	1,977	6,895,501
<b>Martin Gagnon</b> Co-President and Co-Chief Executive Officer, National Bank Financial; Executive Vice-President Wealth Management	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
	2018	475,015	1,211,250	332,525	1,117,200	–	85,000	2,436	3,223,426

## 7. Executive Officer compensation

- (1) The share-based and options-based awards listed in the summary compensation table represent the most recently approved awards.
- (2) The Named Executive Officers are eligible for mid-term share-based variable compensation. This compensation was paid in the form of PSUs. The value of each PSU granted on December 8, 2020, 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., \$72.76. 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 2020 totalled 46,385 for Louis Vachon, 9,896 for Ghislain Parent, 13,297 for Laurent Ferreira, 13,297 for Denis Girouard, and 14,689 for Martin Gagnon.
- (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, 2020 award date, i.e., \$71.55. 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 in December 2020 was 1,887 while the number of DSUs awarded to Martin Gagnon was 1,992.
- (4) A portion of the short-term compensation of Laurent Ferreira and Denis Girouard was awarded in the form of RSUs to comply with the deferred compensation requirement. The value of each RSU, granted on December 8, 2020, was determined based on the average stock market price for the ten trading days preceding the sixth business day of December, i.e., \$72.76. The fair value of the award is equal to the fair book value, amortized over a three-year period on a declining basis. RSUs awarded to Laurent Ferreira and Denis Girouard in December 2020 were respectively of 24,177.
- (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 2020 was estimated at \$7.58, or 10.6% (representing the average estimated percentages from 2018 to 2020 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 (December 8, 2020), i.e., \$71.55, 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 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 an option awarded in December 2020 was determined at 11.52% of the share price (\$71.55), which is \$0.69 less per option compared with 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) Prior to February 1, 2021, Laurent Ferreira and Denis Girouard co-led the leadership of the Financial Markets sector.
- (10) No historical data prior to 2019 has been included for Laurent Ferreira, who became a Named Executive Officer of the Bank in 2019.

## Link between the Bank's total shareholder return 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, 2015 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 2015 and 2020, the compensation of Executive Officers remained stable compared to an annualized increase in Total shareholder return of nearly 12.9%.

## Total cumulative return on a \$100 investment

	Oct. 2015	Oct. 2016	Oct. 2017	Oct. 2018	Oct. 2019	Oct. 2020
Bank	\$100.00	\$116.21	\$158.28	\$157.06	\$186.68	\$183.79
S&P/TSX Banks Sub-Index	\$100.00	\$116.68	\$143.55	\$141.99	\$156.55	\$135.31
S&P/TSX Composite Index	\$100.00	\$112.71	\$125.65	\$121.37	\$137.45	\$134.29

The preceding performance graph shows that the Bank's share generated a 183.79% total cumulative return between 2015 and 2020. 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 direct compensation awarded to Named Executive Officers

	Oct. 2015	Oct. 2016	Oct. 2017	Oct. 2018	Oct. 2019	Oct. 2020
Total compensation of the five Named Executive Officers (M\$)	21.5	26.7	30.0	28.1	25.3	25.3
Total compensation ratio of the five Named Executive Officers for the Available net income attributable to Holders of Common Shares used in the ICP	1.4%	1.7%	1.6%	1.4%	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. The growth in total compensation for the five Named Executive Officers disclosed in the Circular between 2015 and 2016 resulted from the addition of the Chief Transformation Officer and Executive Vice-President position, held until 2019 by Ricardo Pascoe, and the appointment of Denis Girouard as Financial Markets segment leader to replace Ricardo Pascoe. Although there have been some other changes among Named Executive Officers since 2015, the change in the value of total compensation from year to year stemmed mainly from ICP-attainment levels (ranging from 73% to 143%). The change in the total compensation ratio of the five Named Executive Officers compared to the Available net income attributable to Holders of Common Shares was also due to the level of achievement of the ICP, as the primary financial measure used to calculate it is Available net income attributable to Holders of Common Shares.

## 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, 2020.

Name	Option-based awards				Share-based awards			
	Award date	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) <sup>(1)</sup>	Number of non-vested shares or share units (#)	Market or payout value of non-vested share-based awards (\$) <sup>(2)</sup>	Market or payout value of vested share-based awards (unpaid or undistributed) (\$) <sup>(2)</sup>
<b>Louis Vachon</b>	Dec. 8, 2010	283,840	34.34	Dec. 8, 2020	8,403,083	–	–	–
	Dec. 14, 2011	266,672	34.09	Dec. 14, 2021	7,961,493	–	–	–
	Dec. 12, 2012	248,296	38.36	Dec. 12, 2022	6,351,412	–	–	–
	Dec. 10, 2013	222,472	44.96	Dec. 10, 2023	4,223,631	–	–	–
	Dec. 10, 2014	185,240	47.93	Dec. 10, 2024	2,965,692	–	–	–
	Dec. 9, 2015	266,588	42.17	Dec. 9, 2025	5,803,621	–	–	–
	Dec. 12, 2016	220,304	54.69	Dec. 12, 2026	2,037,812	–	–	–
	Dec. 11, 2017	219,156	64.14	Dec. 11, 2027	–	60,150	3,846,020	–
	Dec. 11, 2018	224,104	58.79	Dec. 11, 2028	1,154,136	61,214	3,914,049	–
	Dec. 9, 2019	207,824	71.86	Dec. 9, 2029	–	49,455	3,162,137	–
<b>Total</b>		<b>2,344,496</b>			<b>38,900,879</b>	<b>170,820</b>	<b>10,922,206</b>	–
<b>Ghislain Parent</b>	Dec. 8, 2010	–	34.34	Dec. 8, 2020	–	–	–	497,048
	Dec. 14, 2011	–	34.09	Dec. 14, 2021	–	–	–	878,318
	Dec. 12, 2012	–	38.36	Dec. 12, 2022	–	–	–	281,100
	Dec. 10, 2013	11,152	44.96	Dec. 10, 2023	211,721	–	–	230,060
	Dec. 10, 2014	43,908	47.93	Dec. 10, 2024	702,967	–	–	–
	Dec. 9, 2015	63,192	42.17	Dec. 9, 2025	1,375,690	–	–	–
	Dec. 12, 2016	36,556	54.69	Dec. 12, 2026	338,143	647	41,357	–
	Dec. 11, 2017	40,912	64.14	Dec. 11, 2027	–	14,024	896,721	124,071
	Dec. 11, 2018	41,836	58.79	Dec. 11, 2028	215,455	14,935	954,975	76,237
	Dec. 9, 2019	38,796	71.86	Dec. 9, 2029	–	12,515	800,195	39,993
<b>Total</b>		<b>276,352</b>			<b>2,843,976</b>	<b>42,121</b>	<b>2,693,248</b>	<b>2,126,827</b>
<b>Laurent Ferreira</b>	Dec. 10, 2013	22,248	44.96	Dec. 10, 2023	422,378	–	–	–
	Dec. 10, 2014	21,956	47.93	Dec. 10, 2024	351,516	–	–	–
	Dec. 9, 2015	19,748	42.17	Dec. 9, 2025	429,914	–	–	–
	Dec. 12, 2016	16,320	54.69	Dec. 12, 2026	150,960	–	–	–
	Dec. 11, 2017	16,236	64.14	Dec. 11, 2027	–	23,021	1,471,934	–
	Dec. 11, 2018	59,764	58.79	Dec. 11, 2028	307,785	63,291	4,046,836	–
	Dec. 9, 2019	55,420	71.86	Dec. 9, 2029	–	39,485	2,524,704	–
	<b>Total</b>		<b>211,692</b>		<b>1,662,552</b>	<b>125,797</b>	<b>8,043,474</b>	–
<b>Denis Girouard</b>	Dec. 8, 2010	5,420	34.34	Dec. 8, 2020	160,459	–	–	–
	Dec. 14, 2011	11,064	34.09	Dec. 14, 2021	330,316	–	–	–
	Dec. 12, 2012	19,864	38.36	Dec. 12, 2022	508,121	–	–	–
	Dec. 10, 2013	22,248	44.96	Dec. 10, 2023	422,378	–	–	–
	Dec. 10, 2014	21,956	47.93	Dec. 10, 2024	351,516	–	–	–
	Dec. 9, 2015	19,748	42.17	Dec. 9, 2025	429,914	–	–	–
	Dec. 12, 2016	34,000	54.69	Dec. 12, 2026	314,500	–	–	–
	Dec. 11, 2017	58,444	64.14	Dec. 11, 2027	–	31,186	1,994,034	–
	Dec. 11, 2018	59,764	58.79	Dec. 11, 2028	307,785	45,538	2,911,702	–
	Dec. 9, 2019	55,420	71.86	Dec. 9, 2029	–	39,486	2,524,704	–
<b>Total</b>		<b>307,928</b>		<b>2,824,988</b>	<b>116,210</b>	<b>7,430,440</b>	–	
<b>Martin Gagnon</b>	Dec. 14, 2011	9,024	34.09	Dec. 14, 2021	269,412	–	–	–
	Dec. 12, 2012	28,398	38.36	Dec. 12, 2022	726,421	–	–	–
	Dec. 10, 2013	24,920	44.96	Dec. 10, 2023	473,106	–	–	184,048
	Dec. 10, 2014	26,896	47.93	Dec. 10, 2024	430,605	–	–	181,409
	Dec. 9, 2015	21,188	42.17	Dec. 9, 2025	461,263	–	–	107,943
	Dec. 12, 2016	43,408	54.69	Dec. 12, 2026	401,524	768	49,111	147,334
	Dec. 11, 2017	43,184	64.14	Dec. 11, 2027	–	20,306	1,298,379	80,472
	Dec. 11, 2018	44,160	58.79	Dec. 11, 2028	227,424	21,365	1,366,092	42,214
	Dec. 9, 2019	40,952	71.86	Dec. 9, 2029	–	17,734	1,133,927	–
	<b>Total</b>		<b>282,130</b>		<b>2,989,754</b>	<b>60,173</b>	<b>3,847,509</b>	<b>743,420</b>

(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, 2020, i.e., \$63.94, 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, 2020, i.e., \$63.94.

## 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, 2020.

Name	Option-based awards – Value vested during the year (\$) <sup>(1)</sup>	Share-based awards – Value vested during the year (\$) <sup>(2)</sup>	Non-equity incentive plan compensation – Value earned during the year (\$) <sup>(3)</sup>
Louis Vachon	3,914,553	6,570,805	1,231,875
Ghislain Parent	809,226	1,387,122	427,050
Laurent Ferreira	423,355	6,840,034	2,117,750
Denis Girouard	570,078	5,107,402	2,117,750
Martin Gagnon	544,265	2,281,581	728,175

- (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 \$71.15, while the exercise price of stock options ranged from \$42.17 to \$64.14.
- (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, 2020 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 an 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 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 an 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
  - 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

## 7. Executive Officer compensation

- 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 features of an option granted to a participant (including the exercise price, the exercise conditions or the expiry date of an 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 an option or extending the expiry date of stock options already granted
    - the Board would have had prior authority to grant the amended option
    - the amendment does not materially prejudice the rights of the participants affected by such amendment
  - During fiscal 2020, the Board amended the Stock Option Plan to (i) extend the period for exercising options in the event of a voluntary resignation to 90 days, (ii) specify the list of natural or legal persons whose activities compete with those of the Bank, (iii) withdraw the terms related to the vesting of options granted and the time limit for exercising vested options specific to a disability event of more than twenty-four months, and (iv) make various administrative changes to the Stock Option Plan.

### 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, 2020.

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	11,425,403	\$53.96	5,940,302
Number of securities divided by the number of shares issued and outstanding Common Shares on October 31, 2020, i.e., 335,508,000	3.41%	–	1.77%

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.

	2020	2019	2018
<b>Dilution:</b> Number of outstanding options divided by the weighted average number of outstanding shares during the applicable fiscal year, i.e., 335,508,000	3.41%	3.61%	3.85%
<b>Overhang:</b> Number of outstanding options plus the number of options remaining available for future issuance divided by the weighted average number of outstanding shares during the applicable fiscal year	5.18%	5.87% <sup>(1)</sup>	6.67% <sup>(1)</sup>
<b>Burn rate:</b> Number of options granted during the fiscal year (1,789,280) divided by the weighted average number of outstanding shares during the applicable fiscal year	0.53%	0.63%	0.54%

(1) For 2019 and 2018, the percentages have been adjusted compared to those previously presented.

## Pension plans for Named Executive Officers

All the Named Executive Officers of the Bank participate in a defined benefit pension plan and the Post-Retirement Allowance Program (PRAP). The provisions of these plans are described in the following table:

<b>Plan definition</b>	<ul style="list-style-type: none"> <li>• The defined benefit pension plan is contributory and subject to legislation governing pension plans under federal jurisdiction</li> <li>• 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</li> <li>• A pension is payable under the registered pension plans up to the maximum pension prescribed by current legislation, while the PRAP provides for the supplemental pension benefit</li> <li>• The benefits accrued under the defined benefit pension plans and the PRAP form an integral part of the total compensation offered by the Bank</li> <li>• Changes to the pension plans and to the PRAP came into effect January 1, 2014 (see details below)</li> </ul>
<b>Features / reasons for payment</b>	<ul style="list-style-type: none"> <li>• Designed to encourage long-term retention of Executive Officers by rewarding their continued service at the Bank and by contributing to their retirement income</li> </ul>
<b>Normal retirement age</b>	<ul style="list-style-type: none"> <li>• For membership years prior to January 1, 2014: Age 60</li> <li>• For membership years starting January 1, 2014: Age 65</li> </ul>
<b>Years of credited service</b>	<ul style="list-style-type: none"> <li>• President and Chief Executive Officer: <ul style="list-style-type: none"> <li>– 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</li> <li>– 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</li> </ul> </li> <li>• Other Executive Officers: <ul style="list-style-type: none"> <li>– All Other Executive Officers accumulate 1.5 years of credited service per year of membership up to a maximum of five additional years</li> </ul> </li> </ul>
<b>Pension formula</b>	<ul style="list-style-type: none"> <li>• For membership years prior to January 1, 2014: <ul style="list-style-type: none"> <li>– 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</li> </ul> </li> <li>• For membership years starting January 1, 2014: <ul style="list-style-type: none"> <li>– 1.7% of the average pensionable earnings for each year of credited service</li> </ul> </li> </ul>
<b>Pensionable earnings</b>	<ul style="list-style-type: none"> <li>• 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</li> <li>• President and Chief Executive Officer: <ul style="list-style-type: none"> <li>– The eligible annual bonus is capped at 150% of base salary</li> </ul> </li> <li>• Other Executive Officers: <ul style="list-style-type: none"> <li>– The eligible annual bonus has been capped at 45% of base salary since January 1, 2017</li> <li>– Average annual pensionable earnings are capped at \$1,000,000</li> </ul> </li> </ul>
<b>Maximum pension for the President and Chief Executive Officer</b>	<ul style="list-style-type: none"> <li>• The maximum annual pension payable is capped at \$1,500,000</li> </ul>
<b>Contributions of Executive Officers</b>	<ul style="list-style-type: none"> <li>• 9% of pensionable earnings, up to \$20,061 per year</li> <li>• Upon retirement, the accumulated amount exceeding the basic contributions is converted into a supplemental pension, subject to the limits imposed by in-force legislation</li> </ul>

## 7. Executive Officer compensation

<b>Reduction for early retirement applicable to Executive Officers</b>	<ul style="list-style-type: none"> <li>• Early retirement is permitted starting at age 55 <sup>(1)</sup></li> <li>• For membership years prior to January 1, 2014:             <ul style="list-style-type: none"> <li>– 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"> <li>– 4% for each year prior to age 60; or</li> <li>– 2% for each point before the sum of the age and years of service reaches 90 points</li> </ul> </li> <li>– 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</li> </ul> </li> <li>• For membership years starting January 1, 2014:             <ul style="list-style-type: none"> <li>– The applicable reduction is 4% for each year prior to age 65</li> </ul> </li> </ul>
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(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 trustee of the pension plans, and are managed in accordance with best market practices. The 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 Human Resources Committee, 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 Human Resources Committee 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 Human Resources Committee. The Retirement Committee members meet at least four times per year and regularly report to the Human Resources Committee.

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. At this annual meeting, the findings of the actuarial valuations, along with the performance review of the investment fund and its financial statements, are presented, among other information.

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 Human Resources Committee at the beginning of the fiscal year. Note 23 to the financial statements for the fiscal year ended October 31, 2020 shows that, from an accounting standpoint, the Bank's pension plans are in a surplus position.

The following table details, for each Named Executive Officer, the years of credited service as at October 31, 2020, annual benefits payable, and changes in the accrued benefit obligation between October 31, 2019 and October 31, 2020, including compensatory and non-compensatory changes with respect to their membership in pension plans for fiscal 2020.

It should be noted that the amounts in the table below 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 <sup>(1) (2)</sup>

Name	Years of credited services <sup>(3) (4) (5)</sup>	Annual benefits payable <sup>(6) (7) (8)</sup>		Accrued benefit obligation at start of fiscal year (\$) <sup>(9)</sup>	Compensatory change (\$) <sup>(10) (11)</sup>	Non-compensatory change (\$) <sup>(10) (12)</sup>	Accrued benefit obligation at end of fiscal year (\$) <sup>(9)</sup>
		At fiscal year-end (\$) <sup>(8)</sup>	At age 65 (\$) <sup>(8)</sup>				
Louis Vachon	34.9	1,500,000 <sup>(13)</sup>	1,500,000 <sup>(13)</sup>	21,658,000	918,000	1,477,000	24,053,000
Ghislain Parent	14.8	156,000	265,000	2,205,000	164,000	182,000	2,551,000
Laurent Ferreira	21.6	76,000	206,000	1,051,000	170,000	131,000	1,352,000
Denis Girouard	9.0	68,000	102,000	1,063,000	251,000	107,000	1,421,000
Martin Gagnon	25.9	313,000	512,000	5,003,000	97,000	393,000	5,493,000

- (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 Financial Inc. 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 age 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, and age 63 for Laurent Ferreira and 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, 2019 or October 31, 2020. These values were calculated using the same assumptions as those used for the Bank’s consolidated financial statements, notably a discount rate of 3.05% as at October 31, 2019 and 2.85% as at October 31, 2020. These calculations also take into account the 3.15% discount rate for current service as at October 31, 2019. 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 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;
- 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 2020.

### Conditions applicable in the event of termination of employment

The following table summarizes the conditions applicable to Named Executive Officers in the event of 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 <sup>(1)</sup> paid for a period of 24 months until the normal retirement age	Cessation
Annual bonus	Cancellation		Calculated on a pro rata basis of the number of months worked		
PSUs/RSUs <sup>(2)</sup>	Cancellation		Vesting at the end of the period covered by the severance package or according to the established maturity dates, whichever comes first <sup>(3)</sup>	Vesting at termination date and according to actual performance upon a change of control in the case of PSUs	Vesting according to original time frame <sup>(4)</sup>
Options	A 90-day period is granted to exercise vested stock options <sup>(3)</sup>	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 options and exercise of vested options according to original time frame <sup>(4)</sup>
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 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 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) A change of an administrative nature has been made to the plan text concerning the treatment of PSUs, RSUs and options in the event of termination of employment.
- (4) If the non-compete and non-solicitation conditions are met.

## 7. Executive Officer compensation

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

The employment contracts of Named Executive Officers include no individual agreement in the event of 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.

The following table indicates the estimated incremental amounts that would have been paid to the Named Executive Officers if their employment had been terminated as at October 31, 2020. 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 (\$) <sup>(1)</sup>		
	Retirement, voluntary resignation and termination of employment with cause	Termination of employment without cause (lay-off) <sup>(2)</sup>	Change of control and termination of employment <sup>(3)</sup>
Louis Vachon	–	–	\$6,086,280
Ghislain Parent	–	–	\$2,229,912
Laurent Ferreira	–	–	\$7,175,647
Denis Girouard	–	–	\$5,629,546
Martin Gagnon	–	–	\$3,217,747

- (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 departure.
- (2) If a Named Executive Officer had their employment terminated on October 31, 2020 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 2020. Based on the Bank's share price on October 31, 2020, the value of such accelerated vesting would have been \$10,922,205 for Louis Vachon, \$2,330,070 for Ghislain Parent, \$8,043,474 for Laurent Ferreira, \$9,458,947 for Denis Girouard, and \$3,458,698 for Martin Gagnon.
- (3) Should an employment termination occur on October 31, 2020 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 2020. Based on the Bank's share price on October 31, 2020, the value of such accelerated vesting would have been \$12,297,260 for Louis Vachon, \$2,939,375 for Ghislain Parent, \$8,312,053 for Laurent Ferreira, \$7,739,904 for Denis Girouard, and \$4,118,458 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 Financial Stability Board 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 Human Resources Committee 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 2020

The following tables summarize the value of the compensation awarded to material risk takers for fiscal years 2019 and 2020. The value of deferred compensation (based on equity securities) is shown in relation to the projected value at time of award.

Amounts are in millions of dollars

	2020		2019	
	Named Executive Officers	Covered Employees	Named Executive Officers	Covered Employees
<b>Compensation granted</b>				
Number of employees	5	207	5	199
Fixed compensation				
• Cash (not deferred)	\$3.0	\$43.7	\$3.0	\$41.8
Variable compensation				
• Cash (not deferred)	\$6.6	\$125.8	\$7.0	\$110.9
• Share-based (deferred)	\$14.1	\$87.2	\$14.1	\$81.7
<b>Deferred compensation</b>				
Outstanding				
• Vested	\$49.6	\$35.0	\$66.9	\$56.0
• Non-vested	\$35.4	\$167.3	\$52.2	\$200.0
Paid in the fiscal year	\$35.9	\$103.2	\$28.3	\$89.2

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 2020, 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.

	2020		2019	
	Named Executive Officers	Covered Employees	Named Executive Officers	Covered Employees
<b>Other compensation</b>				
Bonus offered at hiring under the guaranteed bonuses policy				
• Number of employees	0	– (1)	0	7
• Sign-on awards	\$0		\$0	\$4.2
• Guaranteed awards	\$0		\$0	\$5.8
Severance payments				
• Number of employees	0	– (1)	0	10
• Severance payments	\$0		\$0	\$20.6

- (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<sup>(1)</sup> outstanding at January 25, 2021 to the Bank or its subsidiaries incurred by current and former directors, Executive Officers<sup>(2)</sup> 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	29,866,763 <sup>(3)</sup>	–

- (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 Chairman 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 by mortgages.

## 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<sup>(1)</sup> 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, 2020 (\$)	Outstanding as at January 25, 2021 (\$)	Financially assisted securities purchases during the fiscal year ended October 31, 2020	Security for indebtedness	Amount forgiven during the fiscal year ended October 31, 2020 (\$)
<b>SECURITIES PURCHASE PROGRAMS</b>						
–	–	–	–	–	–	–
<b>OTHER PLANS</b>						
<b>FERREIRA, Laurent</b> Chief Operating Officer	Loans granted by the Bank	\$3,321,171.02 <sup>(2)</sup>	\$3,314,998.45 <sup>(2)</sup>	–	–	–
	Loans granted by the Bank	\$153,330.04 <sup>(3)</sup>	\$149,147.22 <sup>(3)</sup>	–	–	–
<b>GAGNON, Martin</b> Executive Vice-President – Wealth Management, and Co-President and Co-Chief Executive Officer of NBF	Loans granted by the Bank	\$1,752,487.07 <sup>(4)</sup>	\$702,163.33 <sup>(4)</sup>	–	–	–

- (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 0.50%, 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. The rate on this loan is made under the same terms as rates granted 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 0.50%, but not less than the prime rate divided by 2.

### Directors' and Officers' liability insurance

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 \$1,272,009.82 (incl. taxes). The policy, which is renewable, expires on September 1, 2021.

### Minutes

The minutes of the Meeting will be posted on the [sedar.com](http://sedar.com) and [nbc.ca](http://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 reported in the [2020 Annual Report](#).

Upon request, the Bank will promptly provide any shareholder with a free copy of the 2020 Annual Report, a copy of the 2020 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, 2020 with the accompanying independent auditor’s report, a copy of any subsequent quarterly report, and a copy of the Management Proxy Circular with respect to its most recent Annual Meeting of the Holders of Common Shares of the Bank involving the election of directors, 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, 4<sup>th</sup> 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 the Circular was posted, should follow the instructions provided under the “Obtaining the Circular” heading in [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 Board committees and subcommittee
- Mandates of the Chairman of the Board and the Committee and Subcommittee Chairs
- Director Independence Policies
- The Bank’s Statement of Corporate Governance Practices
- The Board Diversity Policy
- Code of Conduct and Ethics
- Shareholder Engagement Policy

You will also find the most recent [ESG Report](#), [TCFD Report](#) and [Inclusion and Diversity Handbook](#) in the Social Responsibility 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, *All-in-One National Bank*, 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**

(s) *Dominic Paradis*

Senior Vice-President, Legal Affairs and Corporate Secretary

February 24, 2021

# 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 for review at the Meeting.

After discussions with the Bank, MÉDAC agreed to withdraw its proposal concerning the solvency of the employee pension fund based on answers provided by the Bank and the information contained on page 203 of the 2020 Annual Report. The Bank and MÉDAC have also agreed to include proposals 1 to 7 in the Circular, solely for information purposes and without being submitted to a vote.

The Bank has reproduced the full text of the seven proposals that it received from MÉDAC as well as the Bank's position for each proposal.

### PROPOSAL NO. 1

**Not submitted to Shareholder vote**

#### "Purpose and commitment

**It is proposed that the Board of Directors and management specify National Bank's purpose as an organization, and that one of the committees of the Board of Directors be given a mandate to monitor deployment of the policies, commitments and initiatives implemented to move the organization in this new strategic direction, particularly in terms of health, the environment, human resources and stakeholder relations.**

#### Arguments

In August 2019, the Business Roundtable, an association whose members are CEOs of major U.S. corporations, issued a statement that a company's purpose cannot be limited solely to the pursuit of profit but must also take into account all the stakeholders who may be affected by its business: customers, employees, suppliers, the communities where the company operates, and shareholders. Without social utility, companies lose all reason to exist.

A company's purpose refers to how it intends to play a role in society beyond its economic activity. According to Jean-Dominique Sénard, President of Renault, "Purpose is the link between the past and the present; it is the company's DNA. It has no economic meaning, but rather it is a matter of vision and meaning."<sup>(1)</sup> At its core, it is "the contribution that the company wishes to make to the main social, societal, environmental and economic issues in its field of activity by involving its main stakeholders."

(1) Jean-Dominique Senard: *Le sens et le pourquoi nourrissent la motivation* », Les Échos, 8 juin 2018 <https://business.lesechos.fr/directions-generales/innovation/innovation-sociale/0301754783119-jean-dominique-senard-president-de-michelin-le-sens-et-le-pourquoi-nourrissent-la-motivation-321483.php>

Although many companies have taken several good initiatives in this direction in the past, a reading of various reports from the institution does not reveal a purpose that would meet the definition cited above. Moreover, no committee of the Board has a mandate to coordinate all the actions that would support realizing the Bank’s chosen purpose. More specifically, this committee should have as its mission to:

- Prepare and inform the work of the Board with respect to the deployment of the policies, commitments and initiatives implemented by National Bank;
- Work within the framework of National Bank’s strategic orientations, particularly in terms of health, environment and human resources;
- Dialogue with the various stakeholders on National Bank’s progress towards such objectives, and report on these meetings to its Board;
- Review the extra-financial reporting and control systems and the main results of the extra-financial information published by National Bank;
- Inform shareholders on the various issues raised by its work.

In order to make this concept of a purpose a reality instead of it just being limited to a marketing slogan, it is important for it to be expressed in a tangible way in the institution’s governance practices.

In concluding, it should be recalled that for a growing number of investors, organizations with no social utility lose their reason to exist.”

### **The Bank’s position:**

In 2018, the Board adopted the Bank’s One Mission, “People First,” which was emphasized in the 2020 Annual Report as well as the ESG Report. Since 2019, all of the Bank’s Executive Officers share performance objectives, which fosters strong alignment with the achievement of the Bank’s One Mission. These objectives balance the interests of the Bank’s various stakeholders and are measured by client, employee, operational quality and financial indicators. The Bank’s One Mission therefore finds concrete expression through behavioural objectives that are desired by everyone involved. In addition, all the Bank’s employees are evaluated annually, at which time the Bank’s desired behaviours and performance objectives come to bear equally in the annual performance evaluation.

In addition, the “Executive Officer Compensation” section of the Circular details each pillar of social responsibility around which the Bank develops its strategy, and includes the results obtained and the achievements considered in the evaluation of the Bank’s President and Chief Executive Officer.

The Board is already responsible for developing the Bank’s values and culture and ensuring that they are consistent with strategic decisions. It is also the Board that approves and reviews the business plan and strategic planning, which establish the Bank’s mission, objectives, and short- and long-term priorities. The Conduct Review and Corporate Governance Committee is responsible for overseeing the Bank’s strategy and reviewing its corporate responsibility practices, including ESG activities and the One Mission. In addition, all committees have responsibilities relating to the Bank’s ESG responsibility practices and strategies.

The Board recognizes that it is important for an organization to have strategic direction and purpose, and believes that the efforts that have been and that continue to be made to bring the Bank’s One Mission to life, together with current governance practices, are appropriate for achieving the Bank’s strategic orientation.

**As agreed with MÉDAC, this proposal is not being submitted to Shareholder vote.**

## **PROPOSAL NO. 2**

### **Not submitted to Shareholder vote**

#### **“Virtual meetings and shareholder rights**

**It is proposed that the Board of Directors adopt a policy specifying the terms and conditions for virtual annual meetings.**

#### **Arguments**

Over the last year, the pandemic has caused the banks and several other organizations to use new teleconferencing technologies to hold their annual general meetings. While MÉDAC is well aware that the organizations were often using these new technologies for the first time, unfortunately we, like other individuals or organizations submitting shareholder proposals or wishing to make comments or suggestions during the meetings, experienced problems that limited the scope of our participation. More specifically, our perception of the 2020 virtual annual meetings was as follows: “Unfortunately we did not have the right to speak at these meetings. In fact, it was impossible for shareholders to take the microphone during these virtual meetings. The only people who spoke at these meetings were [corporate] representatives, i.e., the chair (of the board, and therefore the meeting), the CEO, etc.”<sup>(1)</sup> For small shareholders, this reduced presence at annual meetings can affect the success of their proposals in the long term, since they cannot defend their proposals in person and thereby build additional support in the event that their proposals are submitted subsequently.”

These threats are a concern for shareholder participation that, following a failure to dialogue with the issuer or for any other reason, takes the form of submitting shareholder proposals in management circulars and at annual meetings.

The record on shareholder participation and shareholder proposals over the last twenty years has shown the added value of such proposals in terms of governance, such as separating the functions of the President and Chief Executive Officer from those of the Chairman of the Board of Directors, the advisory vote on executive compensation, disclosure of auditor compensation and advisor compensation, the presence of women on boards of directors and in senior management, access to proxies for director appointments, etc.

We recommend that the Board of Directors adopt a policy specifying the terms and conditions of shareholder participation in virtual annual meetings:

- Oral presentations of shareholder proposals by the persons or organizations that submitted them, for a period at least equivalent to the time required to read the proposals;
- Video links of shareholders (during their presentations) as well as of members of senior management;
- Opportunities to ask unsolicited questions following comments from management;
- Real-time interactions between shareholders and with the chair of the meeting; and
- In the event that questions posed by shareholders cannot be dealt with at the annual meeting, the posting of management’s responses on the corporation’s website and on SEDAR within ten days of the meeting.”

(1) <https://medac.qc.ca/1798/>

## **The Bank's position:**

Because of COVID-19, the Bank, like other financial institutions, has again this year chosen to hold a fully virtual annual meeting. Our first priority and our duty as responsible citizens are to ensure the safety of our employees, clients and Shareholders.

However, the Bank's objective remains to provide Shareholders with opportunities to participate in the meeting, vote and ask questions, whether in person or virtually. We wish to provide a similar experience for our Shareholders, with the same opportunities and rights. This is an opportunity for us to take part in an open dialogue with the Bank's shareholders.

To this end, over the last several months the Bank has been working with its suppliers to find ways to provide Shareholders with the best possible experience. As a result, Shareholders who have submitted a proposal will be able to present it orally, following the same rules that would apply if they were attending the Meeting in person. As in previous years, a question period will be held at the end of the Meeting. It will then be possible for Shareholders and proxyholders attending online to ask questions orally and submit questions in writing, using the chat tool that will have been made available to them.

A code of procedure, provided to ensure smooth running of the Meeting, can be found at the end of this part of the Circular. It has been developed taking into account the specific features of virtual meetings.

**As agreed with MÉDAC, this proposal is not being submitted to Shareholder vote.**

## **PROPOSAL NO. 3**

**Not submitted to Shareholder vote**

### **"Full-fledged Human Resources Committee**

**It is proposed that the Board of Directors revise the mandate of its compensation or Human Resources Committee to include more specific responsibilities with respect to the health, safety and well-being of all of its employees.**

### **Arguments**

Since the beginning of the COVID-19 crisis, the health, safety and well-being of employees has been a growing and important concern for the Executive Officers of our organizations. In addition, there are also concerns about how the organization's talent should be developed to meet the challenges posed by new technologies.

The mandates and responsibilities of the compensation and human resources committees should be adjusted to reassure shareholders and other stakeholders that all the necessary strategies and policies are in place to address such concerns. Currently, much of the work of such committees is focused on performance management and executive compensation management.

The purpose of this proposal is to ask the Board of Directors to review the mandate of the Human Resources Committee or create a specific committee with a mandate to assist the Board in exercising its responsibilities with respect to establishing the vision for and monitoring employee health, safety and well-being issues, in particular with respect to strategies, policies, systems and practices in this area and management of the related risks. For example, this committee could be asked to address, among other things, the following: training and talent development, diversity, labour relations, compensation equity, organizational culture, the physical layout of the workplace, the impact on employees of working from home (in terms of both physical and mental health), and employee commitment and satisfaction. Such strategic dimensions of human resources management should be disclosed in the

management proxy circular. This proposal is based on the standards and indicators of the Sustainability Accounting Standard Board (SASB), which are often cited as a roadmap for standardizing information on human resources management.

Employee health and well-being are not just complementary; they are essential to an organization's strategy, and this is why we are submitting this proposal.”

### **The Bank's position:**

The Human Resources Committee focuses on the full range of employee experience practices, including but not limited to employee health, safety and wellness, talent management and diversity.

The mandate of the Human Resources Committee already covers the Committee's responsibilities for the issues proposed by the M  DAC, and these issues are an integral part of the Bank's One Mission and the Bank's Employee Experience strategy and practices.

These practices have become even more important during the COVID-19 pandemic. From the very beginning of the pandemic, the Bank's priority has been the well-being of its employees, clients, shareholders and communities. Measures were quickly put in place to protect the health of employees, such as maximizing work from home, adding screening for early warning signs of mental health issues (through the telemedicine application) and paying a temporary special benefit to employees who needed to be physically present in the workplace. New employee benefits were introduced to improve employee well-being, such as additional leaves and eligibility for an enhanced health account. The Bank made all of its decisions in light of its One Mission, to prioritize “People First.”

**As agreed with M  DAC, this proposal is not being submitted to Shareholder vote.**

## **PROPOSAL NO. 4**

**Not submitted to Shareholder vote**

### **“COVID-19 – Equitable sharing of the burden of the recovery**

**It is proposed that the Board of Directors disclose the actions taken by the organization to ensure that both the company's executive officers and other employees will equitably participate in the economic recovery effort following the pandemic.**

### **Arguments**

The economic crisis of 2008 left a bitter taste in the mouths of many Shareholders. While their equity portfolios fell sharply, the compensation received by most senior executive officers and directors continued to rise at a pace deemed excessive by many and unrelated to the company's performance. This situation paved the way for the introduction of a non-binding advisory vote on executive compensation and tarnished the reputation of several organizations.

The current pandemic and economic crisis have forced many companies to make difficult decisions, including temporary and permanent layoffs. With respect to executive officers and members of boards of directors, minimal information has been forthcoming on the actions taken to reduce their numbers or their compensation.

The purpose of this proposal is to request that the Board of Directors disclose, in the next management proxy circular, the following information:

- The percentage and number of permanent and temporary layoffs that resulted from the pandemic, both in senior management and among other employees;
- The percentage reduction in compensation experienced by these two categories of employees;

- The discretionary power reserved by the Compensation Committee or the Board of Directors to grant compensation increases to Executive Officers, despite the fact that several performance objectives will not have been achieved due to the economic crisis and the pandemic;
- The adjustments made to the compensation policy for the next few years to take into account the decreases in compensation incurred by some of the Bank’s employees;
- Any other adjustments made to the stock or stock option policy to compensate Executive Officers for compensation losses incurred in 2020.”

### **The Bank’s position:**

From the outset of the COVID-19 pandemic, the Bank has been committed to protecting the jobs and health of its employees from impacts of the pandemic. The Bank has made all of its decisions in light of its One Mission to prioritize “People First.” In fact, the Bank has summarized its position in this regard in the document entitled “COVID-19: National Bank’s commitment to its employees,” which is available in the “Code and Commitments” of the Governance subsection under “About Us” on the [nbc.ca](http://nbc.ca) website.

There have been no permanent or temporary layoffs or dismissals related to COVID-19 at the Bank, nor any salary cuts affecting the entire workforce. However, in light of the high level of uncertainty faced in 2021, the Board has accepted the recommendation of the Executive Officers not to grant a general salary increase to the Officers.

No adjustments have been made to the compensation policy as a result of COVID-19. During 2020, the Human Resources Committee did not make any adjustments to the variable compensation measures or their targets for Executive Officers to counter the effects of the COVID-19 pandemic. In fact:

- The 2020 objectives, applicable to all of the Bank’s Officers, including the Executive Officers, have not been modified by the Board to counter the effects of the COVID-19 pandemic;
- No adjustment has been made to the share or stock option policy to compensate the Officers and Executive Officers for the compensation losses incurred in 2020;
- No additional grants of medium and long-term compensation were awarded to Officers or Executive Officers in 2020.”

**As agreed with MÉDAC, this proposal is not being submitted to Shareholder vote.**

## **PROPOSAL NO. 5**

**Not submitted to Shareholder vote**

### **“Global warming**

**It is proposed that the Bank issue a report on the loans it has granted in support of projects that generate pollution and that will lead to a significant increase in global temperature.**

### **Arguments**

The Paris Agreement seeks to limit global warming to 2°C and, if possible, to limit the increase to 1.5°C. According to Mark Carney, former governor of the Bank of Canada and the Bank of England and now UN Special Envoy for climate action and finance, the funds provided by banks and investment firms in support of several large polluting projects will lead to a 4°C increase in global temperatures, while the Paris Agreement seeks to limit global warming to 2°C, or even 1.5°C.

Still according to the Mark Carney, the objectives of the Agreement are clear, but the organizations' policies are inconsistent with them. While the world's 20 largest energy companies are responsible for a third of all carbon emissions on Earth, the time has come, in the opinion of the former governor of the Bank of England, to temper the appetite of the financial system, which does not appear to be concerned about the climate emergency.

The goal of this proposal is to ask the Bank to publish information on amounts granted to projects with significant repercussions on global temperatures.”

### **The Bank's position:**

As detailed in the response to Proposal 6, support for sustainable development is an integral part of the Bank's One Mission. In addition, a section of the TCFD Report already covers the information required under this proposal. In this report, the Bank confirms that it has attained its objective of growing the renewable energy loan portfolio faster than the non-renewable energy loan portfolio. <sup>(1)</sup> As at July 31, 2020, non-renewable energy accounted for only 4.8% of the loan portfolio's total exposure, compared to 7.1% as at January 31, 2014. Furthermore, 52% of the loans granted by the Bank had no significant impact on climate risks. <sup>(2)</sup>

Concrete measures have been taken to reflect the Bank's commitments in its operations and risk management. These measures include setting a target to reduce greenhouse gas emissions from its own operations by 25% by 2025, compared to 2019. This target is based on science and aims to help limit global warming to 1.5°C, the most ambitious objective of the Paris Agreement.

**As agreed with MÉDAC, this proposal is not being submitted to Shareholder vote.**

(1) TCFD Report, p.13

(2) TCFD Report, p.11

## **PROPOSAL NO. 6**

**Not submitted to Shareholder vote**

### **“The circular economy**

**It is proposed that the Bank produce a report on the loans it has granted in recent years in support of the circular economy.**

### **Arguments**

According to Quebec's *Institut de l'environnement, du développement durable et de l'économie circulaire*, the circular economy is “a system of production, exchange and consumption aimed at optimizing the use of resources at all stages of a good's or a service's life cycle, in a circular approach, while reducing the environmental footprint and contributing to the well-being of individuals and communities.” <sup>(1)</sup>

Circular business models allow for a rethinking of systems and processes at the design stage in search of opportunities to recycle, repair, reuse, reconvert or refurbish products and materials to reduce waste and greenhouse gas emissions. As stated in a government publication, across the country many innovators and industries are reaping benefits from their use of circular designs to save money or create new market opportunities — whether this means turning pulp and paper mill waste into renewable bioproducts or launching product buy-back programs that improve interactions with customers and recover usable materials, such as metals and alloys. These innovative solutions are paving the way for a circular economy that benefits the environment while creating wealth and opportunity in various industries.

(1) <http://institutddec.org/themes/economie-circulaire/>

This new way of doing things cannot be developed without financing from Canadian banks. The purpose of this proposal is to make shareholders aware of how the Bank has supported the emergence of this new economy in recent years.”

### **The Bank’s position:**

Support for sustainable development is an integral part of the Bank’s One Mission. In 2019, the Bank adopted nine ESG principles to highlight the importance of sustainable development and balance the interests of various stakeholders in society. These principles are based on three ESG areas of focus and are aligned with the Sustainable Development Goals set out by the United Nations in 2015. In addition, the Bank became a founding signatory and one of the first North American signatories to the United Nations’ Principles for Responsible Banking. The Bank has an ESG structure within the organization to ensure compliance with its commitments<sup>(1)</sup> and the mandates of the Board of Directors and its committees all contain ESG responsibilities.

As identified in the GIFCC 2020 report, in the Social Responsibility subsection under “About Us” on the [nbc.ca](http://nbc.ca) website, one of the Bank’s priorities is to develop financial and non-financial indicators to effectively track its performance relating to sustainable development. The Bank’s objectives include increasing the proportion of financing assets related to renewable energy at a faster rate than non-renewable energy and supporting its customers in their energy transition. In the next few months, the Bank will also disclose its objectives and targets in accordance with responsible banking principles in the report on environmental, social and governance advances.

The Bank’s priority is also to strengthen its partnerships with key industry change players in order to better meet its commitments. The Bank is convinced of the need for an open dialogue with its stakeholders, such as customers, employees, society and communities, shareholders, suppliers, interest groups, regional, national and international organizations and regulatory authorities. To this end, the Bank is already involved in the working committees of various groups, such as the Canadian Bankers Association, Finance Montreal and the Canadian Standards Association (CSA).

**As agreed with MÉDAC, this proposal is not being submitted to Shareholder vote.**

## **PROPOSAL NO. 7**

**Not submitted to Shareholder vote**

### **“Discretionary power of the Board of Directors and the Compensation Committee**

**It is proposed that the Management Proxy Circular should explicitly present the guidelines used by each of these bodies when reviewing objectives related to the compensation and performance of Executive Officers.**

### **Arguments**

Over the past year, the health and economic crisis will surely have had an impact on the key performance measures and related targets that Executive Officers were expected to meet in 2020. Did the Board of Directors and the Human Resources Committee adjust the targets, if necessary? Or did they use a special power to review the compensation policy, considering that performance against the pre-established targets would not fully reflect the overall quality of the performance of these executives?

(1) TCFD Report, p.6

The purpose of this proposal is to require the Bank to disclose, in specific terms, any adjustments that have been made to key performance measures, targets and associated compensation awards for all of its Executive Officers.”

### **The Bank’s position:**

As discussed in various places in [Section 7](#) of the Circular dealing with the compensation of Executive Officers, the Board has discretionary power to adjust variable compensation packages up or down when deemed appropriate. The Board’s discretionary power is similar to that of the boards of other banks and large corporations. Various factors are taken into consideration when deciding to adjust compensation packages, such as performance, risks or any unforeseen situation that may arise during the fiscal year.

Several guidelines and measures are in place to ensure good governance of compensation practices and guide the Board in the use of its discretionary power.

- The responsibilities of the Human Resources Committee and the Board with respect to the compensation of Executive Officers are defined in the respective mandates. For example, the compensation of Executive Officers must be approved by this Committee and by the Board.
- There are well-defined guiding principles, policies and key practices on compensation. They are presented on pages [74](#) to [76](#) of the Circular.
- The Compensation Risk Oversight Working Group supports the Human Resources Committee and ensures that the Bank complies with FSB guidelines and standards.
- The Board draws on the support of independent external consultants in fulfilling its duties. The consultants provide essential information on market trends and best practices in compensation policies and programs.

As mentioned in the response to Proposal 4, in 2020 the Board did not use its discretionary power to adjust the compensation policy or variable compensation measures or their targets for Executive Officers to offset the impacts of the COVID-19 pandemic.

**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, 4<sup>th</sup> floor,  
Montreal, Quebec, Canada H3B 4L2

Telephone: 514-394-5000  
Website: [nbc.ca](http://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, 7<sup>th</sup> floor  
Montreal, Quebec, Canada H3A 3S8

Telephone: 1-888-838-1407  
Fax: 1-888-453-0330  
Email: [service@computershare.com](mailto:service@computershare.com)  
Website: [computershare.com](http://computershare.com)

For all correspondence (mailing address):

#### Computershare Trust Company of Canada

100 University Avenue, 8<sup>th</sup> 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, 7<sup>th</sup> floor,  
Montreal, Quebec, Canada H3B 4L2

Telephone: 1-866-517-5455  
Email: [investorrelations@nbc.ca](mailto:investorrelations@nbc.ca)  
Website: [nbc.ca/investorrelations](http://nbc.ca/investorrelations)

### Contacting the Board of Directors

Anyone wishing to contact the Board, a Board committee, the Chairman of the Board, a Chair of a Board committee, or a director, including an independent director, may do so by email to [boardofdirectors@nbc.ca](mailto: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, 4<sup>th</sup> floor, Montreal, Quebec, Canada H3B 4L2.

## CODE OF PROCEDURE

The Meeting of the Bank 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.

### **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 identified themselves or appointed a person to represent them as proxyholder and then registered with Computershare in accordance with one of the procedures described on pages 13 and 14, will only be able to join the Meeting 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](http://nbc.ca) or [sedar.com](http://sedar.com).

**Recording prohibited** – Photography and audio or video recordings of the webcast of the Meeting are prohibited.

**Chairman of the Meeting** – The Chairman 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 Chairman’s decisions are final and are not subject to appeal. All webcast participants must comply with the directions of the Chair of the Meeting. The Chairman 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 Chairman 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 two options:

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 virtual vote at the appropriate times. Beneficial owners may not participate in the virtual 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 and 14.

To be able to vote and for your vote to be counted, it is important to be connected to the Internet. Make sure that your Internet connection is reliable and preferably high speed, it is your responsibility to ensure that your connection is adequate during the Assembly.

**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, Beneficial owner or duly appointed and registered proxyholder may speak for no more than three minutes. The Chairman of the Meeting has discretion over the amount of time spent on each subject.

**Question period** – The questions may only address Bank-related subjects.

Registered holders, duly appointed and registered proxyholders and guests may participate in the question period, under either of the following two options:

**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 representative of the Bank. If questions were asked during the Meeting that were not answered, if you have appropriately identified yourself, we undertake to contact you to answer your question.





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