

# Human Resources Committee

The Board of Directors of the Bank delegates to the Human Resources Committee certain roles and responsibilities outlined in the following mandate. The Committee supervises and approves the management of compensation risks, the policies and main compensation programs, the main culture and talent management strategies and practices, the succession plans for Members of Management<sup>1</sup>, the pension plans, and communication with shareholders.

The Committee ensures that human resources management programs exist at the Bank that enable it to attract and retain the best talent and to promote the employee experience. Among the activities it performs as part of its mandate, the Committee:

- Is responsible for the appointment, sets performance objectives, assesses the performance of the President and Chief Executive Officer and members of the Senior Leadership Team, and recommends to the Board the approval of their compensation.
- Monitors the total compensation policies and programs applicable to the Bank and its subsidiaries.
- Revises the succession and development plan for the Members of Management, including that of the President of certain subsidiaries of the Bank, as well as strategies for mobilization, talent development and acquisition, and inclusion, diversity, equity and accessibility.
- Oversees the pension and benefit plans of the Bank and its participating subsidiaries.
- Monitors the governance and internal controls as concerns human resources management, mainly compensation, for the Bank and its subsidiaries.
- Receives regular reports from management on the status of strategic initiatives and key performance indicators related to human resources to enable them to monitor and evaluate the effectiveness of strategies.

## 1. The Committee's role and responsibilities

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### 1.1 President and Chief Executive Officer, Senior Leadership Team and Oversight Functions

#### Appointment and Mandate

- The Committee recommends to the Board the appointment of a new President and Chief Executive Officer or new members of the Senior Leadership Team.
- The Committee reviews, approves and recommends to the Board that it approve the description of the functions of the President and Chief Executive Officer as well as any amendments that may be made.

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<sup>1</sup> For the purposes of this mandate, "Members of Management" means the President and Chief Executive Officer, the other members of the Senior Leadership Team, the people duly appointed by the Board holding the functions of Senior Vice-Presidents and Vice-Presidents of the Bank, all reporting directly to the members of the Senior Leadership Team, and employees of Bank subsidiaries, as well as any employee of the Bank whom the Committee considers to hold an equivalent function.

## Performance

- The Committee sets and recommends to the Board that it approve annually the objectives and key performance indicators linked to the compensation of the President and Chief Executive Officer, taking into account operational strategies, and good governance and market practices.
- Each year, the Committee appraises the accomplishments and performance of the President and Chief Executive Officer with respect to annual objectives and key performance indicators, including ESG priorities, and the prudence shown in managing the Bank's activities as well as the risks to which it is exposed, and reports thereon to the Board.
- The Committee receives and reviews, annually, the report of the President and Chief Executive Officer on the performance of the members of the Senior Leadership Team, as well as the recommendations of the Audit Committee and the Risk Management Committee regarding the performance appraisal of the oversight functions and reports thereon to the Board.

## Compensation

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

## Succession

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

## 1.2 Compensation Policies and Programs

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

### Policies and programs

- The Committee approves or recommends to the Board the policies and main total compensation programs at the Bank, including equity incentive plans, and other employment conditions and employee benefits, as well as all major amendments to them.
- The Committee oversees the application of the Bank's and its subsidiaries' policies and main total compensation programs and makes sure they promote the achievement of the Bank's strategic and financial objectives and comply with regulations and standards in effect, including standards set by the Financial Stability Board, without compromising its viability, solvency and reputation.
- The Committee ensures that employee benefits programs are in place that foster the health, safety, and wellbeing of its employees, physically, mentally and financially.
- The Committee ensures that appropriate mechanisms are in place to identify, assess and manage the risks associated with the Bank's main total compensation programs, while they are being elaborated, revised and applied, and that these mechanisms comply with the Bank's risk appetite framework.

### Salary parameters and target variable compensation

- The Committee reviews and approves the Bank's and its subsidiaries' salary parameters to the

Board and ensures the compensation paid is compliant.

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

### Share ownership

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

## 1.3 Talent Management

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

### Succession planning

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

### Acquisition, development and engagement strategies

- The Committee oversees the implementation of acquisition, development and engagement strategies as well as inclusion, diversity, equity and accessibility strategies<sup>2</sup>. The Committee monitors the progress and development of key Members of Management in accordance with the succession plans.

### Termination of service

- The Committee reviews the general terms and conditions of all termination or change in control agreements signed between the Bank and a Member of Senior Management<sup>3</sup>.

## 1.4 Pension Plans

### Pension plans

- The Committee ensures oversight of the pension plans of the Bank and its subsidiaries, the Pool Fund for Participating Pension Plans of the Bank (the "Fund") and the NBC DC Master Trust (the "DC Trust").
- The Committee reviews and approves all amendments made to the Bank's and its subsidiaries' pension plans.
- The Committee reviews and approves the funding policy and the amendments that could be made

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<sup>2</sup> The subsidiaries operate in compliance with applicable laws and regulations. In the event of a discrepancy between a requirement in this mandate and the local legislation in effect, the latter will prevail.

<sup>3</sup> For the purposes of this mandate, "Member of Senior Management" means the President and Chief Executive Officer and the other members of the Senior Leadership Team of the Bank.

to it from time to time.

- The Committee, further to the recommendations of the Pension Committee of the Bank, reviews and approves the Investment Policy of the Fund and if applicable, the Investment Policy of the DC Trust, as well as the amendments made to it from time to time, with the exception of administrative changes, which may be approved by the Pension Committee.
- The Committee reviews, at least once a year, the reports on the decisions and activities of the Pension Committee of the Bank, the financial position and returns of the pension plans of the Bank and its subsidiaries, and the Fund and the DC Trust, and reports thereon to the Board.

### **Pension Committees and Pension Board**

- The Committee approves the mandate of the Pension Committee of the Bank, appoints its members and approves the compensation of the external members.
- The Committee approves the appointment of members of the Pension Board and the employer representatives on the pension committees of the Bank's subsidiaries, and may delegate this authority as appropriate.

## **1.5 Governance and Control**

### **Risk assessment and internal controls**

- The Committee receives and reviews the report of the Internal Audit Department drafted to identify any significant variance among the Bank's compensation policies, programs and practices and the regulations and standards in effect and between the compensation paid and the compensation payable under the terms of the Bank's and its subsidiaries' total compensation policies and programs.

### **Communication with shareholders and stakeholders**

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

### **Legislative and regulatory changes**

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

### **Environmental, Social and Governance (ESG) Responsibility**

- The Committee performs its activities in accordance with the Bank's ESG practices and strategies.
- The Committee reviews, in collaboration with the Risk Management Committee and with the Conduct Review and Corporate Governance Committee, the evolution of ESG priorities and their impact on the compensation program for the Members of Management.
- The Committee ensures that the Bank's human resources management strategies and organizational culture are aligned with the Bank's ESG practices and strategies, including the aspects relating to the employees' health and wellbeing.
- The Committee ensures that each Member of Senior Management and those responsible for oversight functions complies with the Bank's Code of Conduct and Conflict of Interest Standards

## **2. POWERS**

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### **2.1. Hiring Independent External Consulting Firms**

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

### **2.2. Investigating and Having Access to the Books, Registries, Premises, Members of Management and Employees**

- The Committee may investigate any issue it deems relevant. To conduct its investigation, it may have full access to the Bank's books, registries, premises, Members of Management and employees.

### **2.3. Delegating Powers to a Sub-Committee**

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

### **2.4. Communicating Directly with Members of Management and Employees**

- The Committee may contact the Executive Vice-President – Employee Experience, or any other Member of Management or employee directly.

### **2.5. Performing any Duties Assigned to it or Required by Law**

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

### **2.6. The Bank's Subsidiaries**

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

### **2.7. Ongoing Training**

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

## **3. COMPOSITION**

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### 3.1. Composition of the Committee

- Created by the Board and composed of Board Members appointed by the Board
- Minimum of three members. Each member has a good understanding of issues related to human resources and compensation or is able to acquire such knowledge or expertise needed within a reasonable timeframe of their appointment.
- One Chair, appointed by the Board from among the Committee members
- A person who holds the position of secretary, who is the Bank's Secretary or any other person appointed to hold this position.
- The composition of the Committee is reviewed every year.

### 3.2. Chair of the Committee

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

### 3.3. Selection Criteria for Committee Members

#### Be independent

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

### 3.4. Term of Mandate for Committee Members

#### Duration

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

- Resign
- Are relieved of their duties
- No longer sit as a Board Member

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

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

### 3.5. Evaluation and Review of the Mandate

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

## 4. MEETINGS

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### 4.1. Regular Meetings Scheduled in Advance

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

## 4.2. Unscheduled Meetings Called During the Year (as needed)

### Who may call them?

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

### Date, time and location of such a meeting

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

### Notice of meeting required unless exception

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

## 4.3. Exceptional Meetings of the Board to Review Matters of Interest to the Committee

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

## 4.4. Attendance: In Person or Remotely

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

## 4.5. Individuals Who May be Invited to Meetings

### President and Chief Executive Officer

- The President and Chief Executive Officer may attend every meeting of the Committee.

### Chair of the Board

- The Chair of the Board may attend every meeting of the Committee.

#### Any other person invited by the Committee

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

#### In Camera meeting

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

### 4.6. Minimum Number of Members Required to Hold a Committee Meeting (Quorum)

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

### 4.7. Vote

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

### 4.8. Minutes of Meetings

#### Minutes

- The secretary is responsible for drafting the minutes after each Committee meeting. These must be approved by Committee members before being filed with the records of minutes. These minutes are provided to all Members of the Board at the next Board meeting for information purposes.

#### Oral report of the Chair to the Board

- The Committee Chair must present an oral report on the deliberations and recommendations of the Committee at the next Board meeting.