

Statement of Corporate Governance Practices



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

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

AC: Audit Committee of the Board

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

Circular: Management Proxy Circular for the Meeting

CRCGC: Conduct Review and Corporate Governance Committee of the Board

DSU: Deferred share unit

ESG: Environmental, social, and governance

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

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

The "Executive Officers" are:

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

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

HRC: Human Resources Committee of the Board

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

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

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)

Privacy Booklet: The Bank's Privacy Booklet

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

RMC: Risk Management Committee of the Board

SEDAR: System for Electronic Document Analysis and Retrieval

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

TCFD: Task Force on Climate-Related Financial Disclosures

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

TSC: Technology Subcommittee of the Board

UN: United Nations

1.

Governance practices

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

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

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

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

BOARD OF DIRECTORS

Roles and responsibilities

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

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

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

The Board's main achievements

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

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

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

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

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



Culture of commercial integrity and ethical conduct throughout the Bank

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

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

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

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

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



Committees, oversight functions, and external consultants supporting the Board

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

Oversight functions

Internal Audit

The Internal Audit oversight function is the third line of defence in the risk management framework. It is responsible for providing the Bank's Board and management with objective, independent assurance as well as advice on the effectiveness of the main governance, risk management, and internal control processes and systems. It is also responsible for making recommendations that promote the Bank's long-term strength.

Finance

The Finance oversight function is responsible for optimizing management of financial resources and ensuring sound governance of financial information. It helps the business segments and support functions with their financial performance, ensures compliance with regulatory requirements, and carries out the Bank's reporting to Shareholders and the external reporting of the various units, entities, and subsidiaries of the Bank. It is also responsible for capital management and actively participates in the activities of the Asset/Liability Management Committee.

Risk Management

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

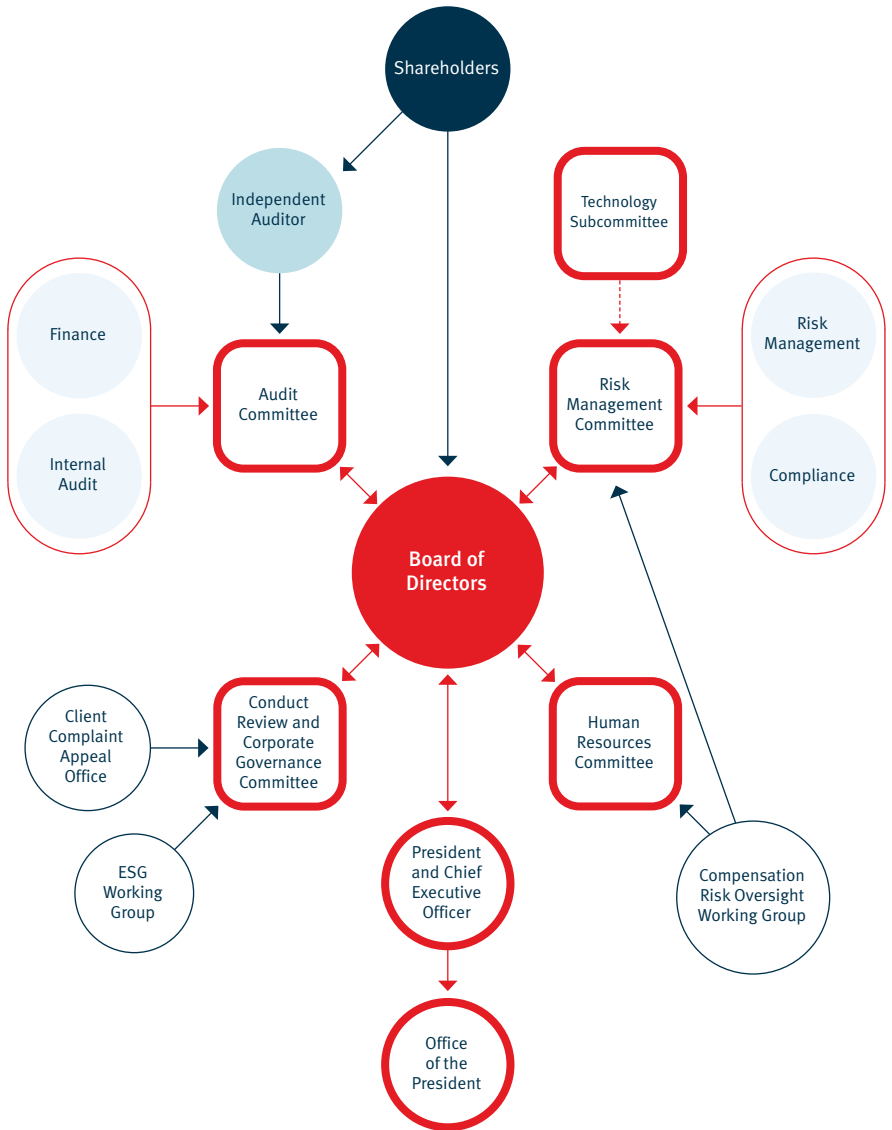
Compliance

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.

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

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

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



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



CHAIR OF THE BOARD

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

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

Furthermore, he:

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

COMMITTEES AND SUBCOMMITTEES CREATED BY THE BOARD

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

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

The committees:

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

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



SELECTION OF DIRECTOR NOMINEES, ELECTIONS, AND OVERSIGHT

Board composition

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

Competencies and selection criteria

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

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

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

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

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



Director independence

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

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

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

Integrity of Directors

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

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

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

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

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

Availability of Directors

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

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

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

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

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



Outside directorships

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

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

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

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

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

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

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

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

Change of status

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

DIVERSITY

On the Board

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

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

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

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

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

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

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

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

At the date of this Circular:

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

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

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

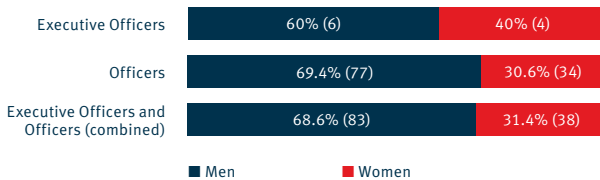


Senior management and management ⁽¹⁾

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

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

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



(1) As at December 31, 2021.

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

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

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

The *Inclusion and Diversity Booklet* is available in the "Diversity" subsection of the "Engagement" section of the nbc.ca website.

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

Strategy and three areas of focus

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

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

1. Dialogue
2. Engage
3. Act each day

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

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

Talent management and planning of Officer succession

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

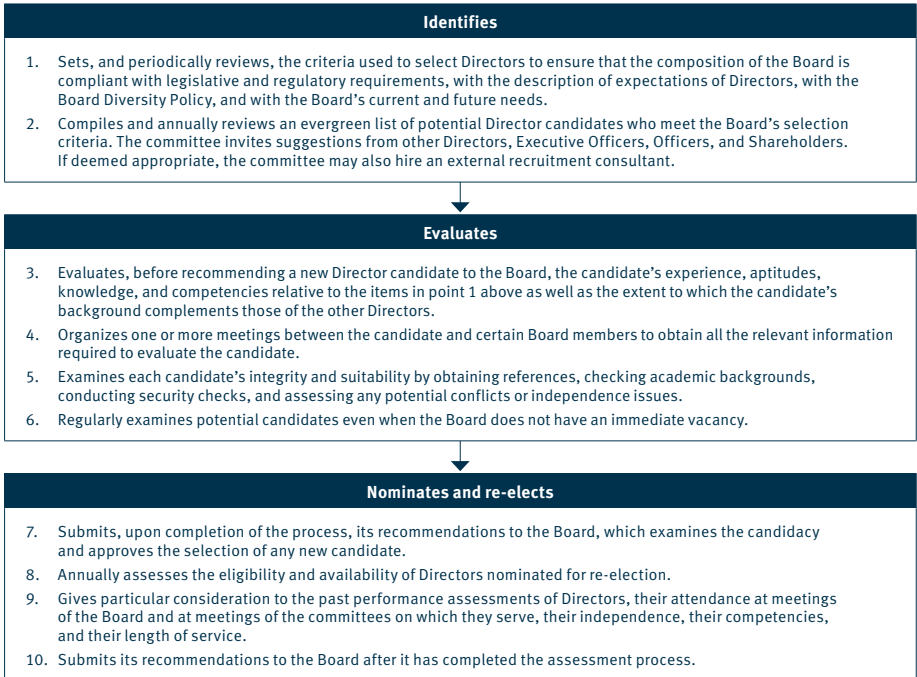
The annual Executive Officer succession planning process is an important milestone in the mandate of the Human Resources Committee. The related work helps to identify future Executive Officers, to support the development of management teams, and to manage workforce risk. During the year, the Human Resources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

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

Identifying, evaluating, and nominating Directors

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

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



Majority voting

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

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

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

Director nomination by Shareholders

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

Director tenure and Board vacancies

Director tenure is governed as follows:

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

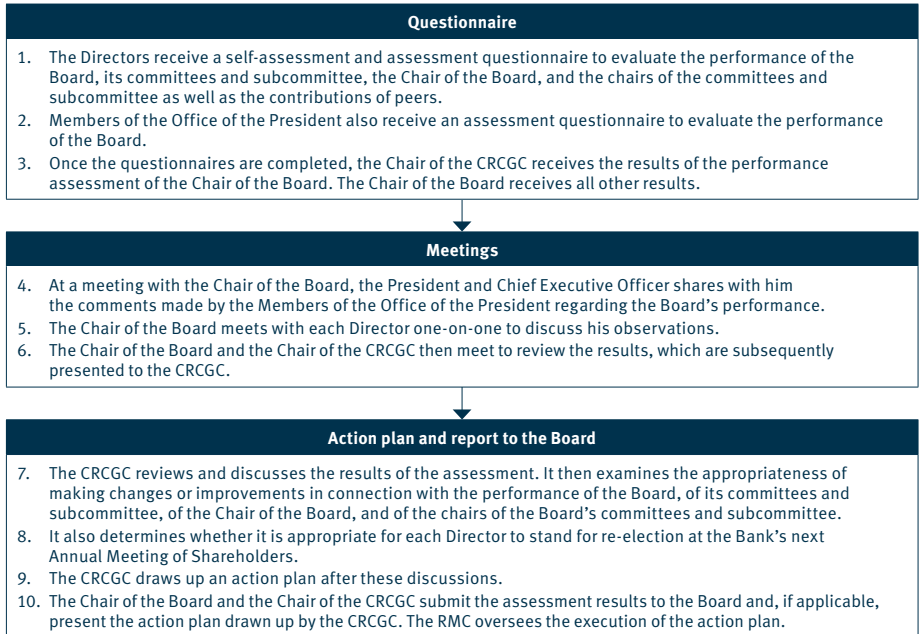
However, the Board has adopted a guideline under which a Director must tender his or her resignation to the Chair of the Conduct Review and Corporate Governance Committee, if the Director:

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

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

Performance assessment

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



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

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

Orientation and continuing education for Directors

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

An orientation program for new Directors

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

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

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

Directors' handbook

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

Continuing Education Program for Directors

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

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

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

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

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

Training provided by recognized organizations

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

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) RESPONSIBILITY

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

Role of the Board and its committees

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

Role of the ESG Working Group

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

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

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

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

Governance for the protection of personal information

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

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

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

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



Inclusion and diversity governance

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

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



Environmental

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

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



Social

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

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



Governance

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

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



SUBSIDIARY GOVERNANCE

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

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

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

ENGAGEMENT WITH THE BANK’S STAKEHOLDERS

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

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

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



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

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

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

Publications

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

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

Ongoing dialogue with Shareholders

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

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

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

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

PROCEDURE FOR REPORTING IRREGULARITIES

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

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



2.

Committees of the Board

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

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

Characteristics of the committees

Each Board committee and the subcommittee:

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

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

Chair of the Board

The Chair of the Board:

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

Experience and competencies of members

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

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

For more information

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

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

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



3.

Director compensation

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

The compensation program is structured to achieve the following objectives:

Recruit and retain experienced Directors

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

Align the interests of Directors with those of Shareholders

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

CHANGES MADE TO THE COMPENSATION PROGRAM

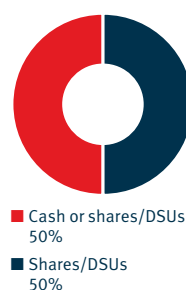
Following the annual review of the Director compensation program, the Board approved the following changes, which took effect on May 1, 2021:

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

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

Total compensation				
Base salary			Additional compensation	
	Cash (\$) ⁽¹⁾	Shares or DSUs (\$)		Cash, shares or DSUs (choice of) (\$) ⁽²⁾
Board member, including participation in a committee or subcommittee	77,500	77,500	Member of a committee or subcommittee (starting at 2 nd participation)	15,000 (per committee) 10,000 (per subcommittee)
			Chair of the Board ^{(3) (4)}	225,000
Total		155,000	Chair of a committee or subcommittee ⁽⁵⁾	35,000 (per committee) 20,000 (per subcommittee)

Breakdown of the base salary of Directors⁽¹⁾



- (1) 50% of the base salary of Directors must be paid in the form of Bank securities (shares or DSUs). The remaining portion of the base salary (50%) may, if the Director chooses, be received in the form of cash, Common Shares, DSUs, or a combination of all three, provided that the share ownership requirements are met.
- (2) Additional compensation consists of the compensation paid to members and chairs of the committees or of the subcommittee. The additional compensation may, if the Director chooses, be received in the form of cash, Common Shares, DSUs, or a combination of all three, provided that the share ownership requirements are met.
- (3) The Chair of the Board receives additional compensation for the role of chair in addition to the compensation received as a member of the Board.
- (4) 25% of the total compensation paid to the Chair of the Board must be in the form of Common Shares or DSUs, whichever he or she chooses.
- (5) The chairs of the committees and of the subcommittee receive compensation in their roles as chairs in addition to the compensation they receive as members of a committee or of the subcommittee.

SHARE OWNERSHIP REQUIREMENTS

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

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

WHAT IS A DEFERRED SHARE UNIT (DSU)?	REQUIREMENTS	MINIMUM REQUIRED
A deferred share unit is a right, the value of which is measured quarterly and equals the market value of a Common Share of the Bank on the date the units are credited to an account in the Director's name.	Total value is equal to or greater than eight times the base salary payable to Directors in the form of Common Shares or DSUs.	8 X \$77,500 = \$620,000
<ul style="list-style-type: none"> • Vested DSUs may be redeemed in cash only when the Director leaves all the positions he or she holds as a Director of the Bank. • The DSUs must be redeemed in cash no later than the end of the calendar year following the year in which the Director leaves his or her duties. 	Minimum share ownership requirement based on the closing price of the Common Shares of the Bank on the Toronto Stock Exchange on February 23, 2022.	\$620,000 / \$101.21 = 6,126 Common Shares or DSUs

OTHER INFORMATION ABOUT THE BANK

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

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

Restrictions on trading and hedging of Bank securities

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

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



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