

Report of the Human Resources and Management Compensation Committee

The Human Resources and Management Compensation Committee is responsible for assisting the Board of Directors in ensuring that the Bank's human resources strategies support its objectives and sustain shareholder value. Each member of the Human Resources and Management Compensation Committee is considered to possess the knowledge and experience in human resources and compensation matters to actively contribute to the Committee's objectives.



Members: Robert Astley (Chair), Stephen Bachand, David Beatty, Ronald Farmer, David Galloway, Martha Piper, Robert Prichard

Year in Review

During the year, the Committee reviewed strategic, organizational and leadership issues, the executive compensation program and plans, performance assessments of the Bank's most senior executives and succession management for all key executive positions. In fulfilling its role, the Committee:

- **Implemented** the redesigned executive compensation program. The new executive compensation program has been designed to link appropriate levels of pay to performance, support the recruitment, retention and motivation of executive talent and, at the same time, align compensation practice with Bank strategies for maximizing shareholder value. The executive compensation program changes are summarized on page 27.
- **Amended** three key non-financial features in the Bank's equity plans to protect shareholder interests. These changes included (i) non-solicit and non-compete obligations, (ii) double trigger change of control provisions, and (iii) forfeiture provisions on financial restatement or if an executive commits an act detrimental to the Bank.
- **Recommended** to the Board an increase in the number of common shares to be issued under the stock option plan. The increase was approved by the Board and is being submitted to shareholders for approval at the 2009 Annual General Meeting. The reasons for the increase are summarized on pages 5 and 6.
- **Assessed** the performance of the Bank's President and Chief Executive Officer, reviewed the assessment with the Board and recommended to the independent members of the Board for approval, the President and Chief Executive Officer's compensation based on the Bank's performance for the past fiscal year.
- **Reviewed and approved** annual performance assessments submitted by the President and Chief Executive Officer for the other Senior Executives and reviewed and approved compensation for these executives.
- **Reviewed** compensation levels for all executives through assessment of the Bank's benchmarking methodology involving the use of comparator groups and, for individual Senior Executives (the Bank's 10 most senior executives), reviewed individual compensation tally sheets (a record showing accumulated remuneration from all sources) and used this information to help validate compensation decisions. Part of this review considered the impact of the decline in the Bank's share price and its overall effect on senior executive compensation. No action was taken to offset or replace the impact of the decline in the share price.
- **Assessed** succession plans (short- and long-term) for the President and Chief Executive Officer and all Senior Executive positions. These succession plans were reviewed with the Board.
- **Recommended** to the Board the appointment and reassignment of Senior Executives and reviewed and approved the appointment and reassignment of other executives.
- **Reviewed** a comprehensive annual assessment of the human resources strategic priorities to widen and deepen the Bank's performance culture. Progress being made on these key strategies included:
 - establishing more aggressive performance standards and aligning compensation to those standards,
 - enhancing the management of talent and succession,
 - strengthening employee engagement (morale) and the Bank's status as an employer of choice, and
 - matching training and development to business needs with significant focus on leadership development for the present and the future.
- **Met** without management present at every regularly scheduled Committee meeting and when required, met with the Committee's compensation advisor without management present.
- **Engaged** Watson Wyatt as the independent advisor to the Committee following an extensive process described in the next section.

Advisor to the Committee

Hugessen Consulting Inc. ("HCI") acted as a principal advisor to the Committee from 2006 to August 2008. During 2008, the Committee reviewed its requirements and invited proposals from several firms to act as advisor to the Committee. The Committee used several criteria to review the proposals, including technical ability and depth of experience, financial services expertise, access to reliable data, and ability to take a global view of the market. Upon completion of its review of proposals received, the Committee engaged Watson Wyatt ("WW") as its principal advisor effective September 2008. The advisor provides advice to the Committee on policy recommendations prepared by management, and also reviews and provides commentary on the Bank's Proxy Circular. During fiscal 2008, the advisor attended portions of Committee meetings, as requested by the Committee Chair.

The Committee reviews information and recommendations provided by its advisor, as it considers its decisions. The Committee's decisions may reflect factors and considerations other than the information and recommendations received from its advisor.

For fiscal 2008, HCI's fees as the Committee's advisor totalled approximately \$93,000. HCI provided no other services to the Bank. In addition, for fiscal 2008, WW's fees as the Committee's advisor totalled approximately \$147,000. The Bank also paid WW approximately \$72,000 for non-executive compensation and non-compensation-related consulting.

As a matter of policy, the Committee has adopted a number of practices with regard to its executive compensation advisor:

- The Committee annually reviews the advisor's performance, independence and fees;
- The Committee determines annually, and on an as-needed basis, with input from management and the advisor, the specific work to be undertaken by the advisor for the Committee, and the fees associated with this work;
- All services provided to the Bank by the advisor, beyond its role in supporting the requirements of the Committee, require written pre-approval by the Chair of the Committee outlining the scope of work and related fees. The Committee does not approve any such work that, in its view, could compromise the advisor's independence in serving the Committee; and
- The Committee discloses annually in the Proxy Circular the work done and fees paid to the advisor for all work done for the Committee, and any other work the Committee has approved.

Other Compensation Advisors to the Bank

The Bank retains Hay Group, Mercer, and Towers Perrin from time to time to provide expertise and advice in connection with the development of compensation policies and to make recommendations respecting the design and implementation of executive compensation programs, for the Committee's review and approval.

- For fiscal 2008, Hay Group's fees as management's advisor for executive compensation consulting totalled approximately \$86,000. The Bank also paid Hay Group approximately \$440,000 for non-executive compensation and job evaluation consulting and compensation surveys.
- For fiscal 2008, Mercer's fees as management's advisor totalled approximately \$27,000 for executive compensation consulting. The Bank also paid Mercer approximately \$5,100,000 for actuarial and compliance tasks completed for Bank management at various locations around the world.
- For fiscal 2008, Towers Perrin's fees as management's advisor totalled approximately \$31,000 and US\$106,500 for executive compensation consulting and custom survey work. The Bank also paid Towers Perrin approximately US\$261,000 for benefits consulting in connection with United States employee health and welfare programs.

The Committee is satisfied that it has appropriately fulfilled its mandate for the year ended October 31, 2008.

Robert M. Astley
Chair