

# **NBC Canadian Family Index - Index Committee Handbook**

Please refer to the “NBC Canadian Family Index Rules Book” for detailed information  
(Last modified on: February 6, 2020, v22)

## **1. Definitions**

- NBC Canadian Family Index (“Index”)
- National Bank of Canada (“NBC”) or (“Index Designer”)
- S&P Dow Jones Indices (“S&P DJI”) or (“Index Calculator”)
- NBC Canadian Family Index Index Committee (“Index Committee”) or (“Committee”)
- First Index Committee Meeting (“First Meeting”)
- Second Index Committee Meeting (“Second Meeting”)
- NBC Canadian Family Index Rules Book (“Rules Book”)
- All Dates mentioned here below are defined in Annex 1
- Definitions of Family Company Terms:
  - “Founding family”/“Founder”:
    - The concepts of founding family and founder are intended to include families and/or individuals that are generally considered to have founded the business of the issuer or acquired such business before taking the issuer public and subsequently initiated the going public process of the issuer.
    - The determination of the existence of a founding family or founders for a particular issuer shall be made by the Index Committee considering publicly available documents of the issuer and other available relevant documents
    - Members of a founding family for a particular issuer shall include the founder(s) identified as such by the issuer and members of his (their) family identified as such by the issuer.
    - Members of a founder or founding family and shall include, inter alia, with respect to any individual, each spouse (whether by marriage or civil union) or common law partner or child or other descendants (whether by birth or adoption), cousin, of such individual, each spouse (whether by marriage or civil union) or common law partner of any of the aforementioned persons, each trust created solely for the benefit of such individual and/or one or more of the aforementioned persons, and each legal representative of such individual or of any aforementioned persons (including without limitation a tutor, curator, mandatary due to incapacity, custodian, guardian or testamentary executor), acting in such capacity under the authority of the law, an order from a competent tribunal, a will or a mandate in case of incapacity or similar instrument. A person who was the spouse of an individual immediately before the death of such individual shall continue to be considered a spouse of such individual after the death of such individual.
  - “Individual and/or related entities”:
    - Includes any person who may have acquired shares in a given company, but that is not the “founder” nor a member of the “founding family” of that company.
    - The concept of “related entities” is also intended to include (i) trusts set up for the benefit of an individual and/or members of his family and, as applicable, (ii) other family members of an individual with whom or through which control of the voting rights is exercised.
    - Family members of an individual shall include each spouse (whether by marriage or civil union) or common law partner or child or other descendants (whether by birth or adoption), cousin, of such individual, each spouse (whether by marriage or civil union) or common law partner of any of the aforementioned persons, each trust created solely for the benefit of such individual and/or one or more of the aforementioned persons, and each legal representative of such individual or of any aforementioned

persons (including without limitation a tutor, curator, mandatary due to incapacity, custodian, guardian or testamentary executor), acting in such capacity under the authority of the law, an order from a competent tribunal, a will or a mandate in case of incapacity or similar instrument. A person who was the spouse of an individual immediately before the death of such individual shall continue to be considered a spouse of such individual after the death of such individual.

- “direct or indirect control” shall include control through one or more entities, such that an issuer that is controlled indirectly by an issuer that is deemed to be “family-controlled” company under the Index criteria shall also be deemed to be a “family-controlled” company. For instance, if Company A is a “family-controlled” company and owns a majority of the voting rights associated with the voting securities of Company B, then Company B will also be considered as a “family-controlled” company, and if Company B owns a majority of the voting rights associated with the voting securities of Company C, then Company C will also be considered as a “family-controlled” company.
- Publicly available documents (“Public Filings”):
  - For the determination of a given public company’s family control/ownership status, will be mainly the “Management Information Circular or “Proxy Circular” and, if deemed necessary, other public documents filed under an issuer’s SEDAR profile, including Annual Information Forms and Early Warning Reports. If warranted and deemed appropriate to do so, the Index Committee may also consider other publicly available information from sources it believes reliable to complete its determination.

## 2. Executive Summary

The Index Committee is responsible for:

- Selecting, based on objective criteria, a list of Family-controlled company names from an Index Universe provided by the Index Calculator;
- Ensuring that the companies determined as “Family-controlled” by Research members of the Committee are independently verified by the External counsel member of the Committee and settling any potential disagreement(s) among members following the determination process;
- Ensuring the Index Calculator’s quarterly weight rebalances are conducted according to the planned Index schedule by examining Index Calculator Index *pro forma* reports;

## 3. Index Committee Composition

Index Committee members shall not be from Front Office departments to avoid potential conflicts of interest. Chaired by the Head NBC Research, the Committee is composed of **4 members** from the Index Designer AND of **1 member** of a selected External counsel law firm:

- **Research** (2 members minimum, including the Head of Research):
  1. Greg Colman
  2. Linda Ma
  3. Tiffany Zhang
- **Legal** (1 member minimum):
  3. Louis Arcand
- **Compliance/Risk** (1 member minimum):
  - Nizar Araji
- **External counsel** (1 member minimum):
  4. Jean-Pierre Chamberland, Fasken Martineau

#### **4. Index Committee Member Nominating Process**

- Should a Committee member depart, the PARC-FM Committee must select a new Index Committee member for replacement in compliance with the aforementioned Index Composition guidelines. Should the External counsel committee member depart, PARC-FM must approve a new External counsel member from the organization of its choice.

## 5. Index Committee Annual Review Timeline

(see Annex 1 - "Index Committee Date Definition")

Preliminary Annual Review		<u>S&amp;P DJI sends "Preliminary Index Universe" – (On May 5, 2020*)</u>
	Date 1	An " <b>Index Universe</b> " is sent by S&P DJI to NBC on <b>Date 1</b> according to the criteria set forth in the Rules Book. Research members of the Committee and must comment in writing whether each constituent of the "Index Universe" qualify or not as a Family-Controlled company according to the criteria set forth in the Rules Book.
		<u>NBC sends External Counsel the "Preliminary Index Universe" – (May 19, 2020*)</u>
	Date 2	Research sends an annotated "Preliminary Index Universe" to the External Counsel for Independent Screening on <b>Date 2</b> . The external counsel member of the Committee must conduct an independent verification.
		<u>Independent screening submitted to Index Committee – (May 26, 2020*)</u>
	Date 3	The External counsel must have independently verified Research's Family controlled company screening process on or before <b>Date 3</b> and must provide a written opinion to the Committee indicating if it has found any discrepancies along with reasons.
		<u>"First Meeting" – (May 29, 2020*)</u>
Date 4	The Chair of the Index Committee calls for the holding of a " <b>First Index Committee Meeting</b> " to be held on or before <b>Date 4</b> . During the meeting, Committee members must examine the " <b>Preliminary Family-controlled company list</b> " provided Research members of the Index Committee along with the designated External counsel's verification opinion. Any discrepancy underlined by the External counsel must be reconciled in unanimity by the Index Committee. If Committee members do not reach unanimity, the determination of the " <b>Preliminary Index Constituent list</b> " must be made by a majority of the Index Committee not later than <b>Date 4</b> .	
Actual Annual Review		<u>S&amp;P DJI sends "Preliminary Index Universe"— (On June 3, 2020*)</u>
	Date 5	An " <b>Index Universe</b> " is sent by S&P DJI to NBC on <b>Date 5</b> according to the criteria set forth in the Rules Book. Both, Research and the External Counsel must adapt their preliminary screenings to the new "Index Universe" constituents and newly published public filings (available before or on <b>Date 4</b> ). For the purposes of the foregoing, Research shall be responsible to flag changes in the information screened during the review of the Preliminary Family-controlled company list and External Counsel shall review such flagged modified information.
		<u>"Second Meeting" – (Between June 3 and on or before June 10, 2020*)</u>
	Dates 5/6	The Chair of the Index Committee calls for the holding of a " <b>Second Index Committee Meeting</b> " to be held between <b>Date 5</b> and on or before <b>Date 6</b> . During the meeting, Committee members must examine the " <b>Family-controlled company list</b> " provided Research members of the Index Committee along with the designated External counsel's verification opinion. Any discrepancy underlined by the External counsel must be reconciled in unanimity by the Index Committee. If Committee members do not reach unanimity, the determination of the " <b>Index Constituent list</b> " must be made by a majority of the Index Committee. The Committee must send the " <b>Index Constituent list</b> " to S&P DJI not later than <b>Date 6</b> .
		<u>S&amp;P sends <i>pro forma</i> index – (Between June 12 and June 18, 2020*)</u>
	Dates 7/8	S&P starts sending NBC's Index Committee Research Members end of day <i>pro forma</i> copies of the Index starting on <b>Date 7</b> until <b>Date 8</b> . Index Committee Research members' must report any potential mistake(s) or inaccurate data to S&P DJI.
		<u>"Annual Review Day" – (On June 19, 2020*)</u>
Date 9	S&P DJI conducts the effective annual rebalance on <b>Date 9</b> .	

\*Each January, the NBC legal counsel member of the Committee must update the above example "Index Committee Annual Review Timeline" dates according to definitions provided in "Annex 1 - Index Committee Date Definition" and send a new version of the "Index Committee Handbook" to all Committee members. Annex 1 table example dates must also be updated.

## 6. Index Committee Meetings' Format

- Index Committee meetings may be held on not less than 2 business days' notice and 2/3rds of all members must be required to constitute a quorum.
- Index Committee members shall make themselves available and reunite through either an in person meeting or a conference call. Members may participate in person, or remotely by audio or video conference.
- The Chair must cause all necessary materials to be shared with members in advance of the meeting, including the company list part of the "Preliminary Index Universe" and the subset of that universe which are Family-Controlled companies.
- All Index Committee discussions are confidential. Meeting minutes shall be noted by the NBC legal counsel member of the Index Committee for the purposes of the meeting. Meeting minutes shall be circulated after hand to Index Committee Members and kept in a given folder for backup.
- The Index Committee may choose to hold *ad hoc* meetings, at any time throughout the year, in order to evaluate whether any aspect of the Index is to be considered specifically or if any methodology changes are necessary for the Index to function well (see methodology changes schedule in the section below). Any member may call for a holding of a meeting by written request to all other members.

## 7. Methodology Changes

- Methodology changes should be kept at a minimum to ensure Index stability.
- Should a methodology change be implemented and be approved unanimously by Index Committee members, in order to provide a sufficient notice period, the Index Committee shall issue a public notice and also notify the Index Calculator in writing at least 6 months before the "Annual Review Day" (which occurs on **Date 9**).
  - Any methodology change must be approved unanimously by the Index Committee and made public no later than **Date 9**.
  - The notice must state the nature and consequences of the adopted change of methodology.

## Annex 1 - Index Committee Date Definition

Actual Date	Annual Review Date	Date Definition	Title/Activity
2020-03-13 2020-03-19		Starting on the "2nd Friday of March" until the "b-day prior to the 3rd Friday of March"	S&P sends <i>pro forma</i> reports
2020-03-20		On the "3rd Friday of March"	1st Qtr. 2020 rebalance
2020-04-30		On the "Last b-day of April"	Data Cut-off for "Preliminary Index Universe"
2020-05-05	<b>Date 1</b>	On the "3rd b-day of May"	S&P sends "Preliminary Index Universe"
2020-05-19	<b>Date 2</b>	Before or on the "9 <sup>th</sup> last business day of May"	NBC sends "Preliminary Index Universe" to the External Counsel for Independent Screening
2020-05-26	<b>Date 3</b>	Before or on the "4 <sup>th</sup> last business day of May"	Independent screening submitted to Index Committee
2020-05-29	<b>Date 4</b>	On or before "Last b-day of May"	"First Index Committee Meeting"
		On or before "Last b-day of May"	Data Cut-off for "Index Universe"
2020-06-03	<b>Date 5</b>	On the "3rd b-day of June"	S&P DJI sends "Preliminary Index Universe"
2020-06-03 2020-06-10	<b>Dates 5/6</b>	Between the "3rd b-day of June" and on or before the "Wednesday prior to the second Friday of June"	"Second Index Committee Meeting" and NBC sends S&P index names
2020-06-12 2020-06-18	<b>Dates 7/8</b>	Starting on the "second Friday of June" until the "b-day prior to the third Friday of June"	S&P sends <i>pro forma</i> files
2020-06-19	<b>Date 9</b>	On the "3rd Friday of June"	"Annual Review Day"
		On the "3rd Friday of June"	2nd Qtr. 2020 rebalance
2020-09-11 2020-09-17		Starting on the "2nd Friday of Sept." until the "b-day prior to the 3rd Friday of September"	S&P sends <i>pro forma</i> index
2020-09-18		On the "3rd Friday of September"	3rd Qtr. 2020 rebalance
2020-12-11 2020-12-17		Starting on the "2nd Friday of Dec." until the "b-day prior to the 3rd Friday of December"	S&P sends <i>pro forma</i> reports
2020-12-18		On the "3rd Friday of December"	4th Qtr. 2020 rebalance
2020-12-18		6 months prior to the "3rd Friday of June"	Deadline to announce Methodology changes to Index