

NORTHBRIDGE FINANCIAL CORPORATION
(the “Corporation”)
COMPENSATION COMMITTEE CHARTER

1. PURPOSE

The Compensation Committee is responsible for assisting the Corporation’s Board of Directors (the “Board”) in fulfilling its oversight responsibilities in relation to:

- * the compensation of the Corporation’s senior management and members of the Board;
- * reporting to shareholders on senior management compensation; and
- * any additional matters delegated to the Compensation Committee by the Board.

2. MEMBERS

The Board shall appoint a minimum of three and a maximum of five directors to be members of the Compensation Committee. The members of the Compensation Committee will be selected by the Board on the recommendation of the Corporate Governance and Nominating Committee. All of the members of the Compensation Committee will meet the criteria for independence contained in applicable laws and stock exchange rules and regulations. In addition, at least 25% of the members must be residents of Canada (so long as this is required under applicable law). Members have a duty to immediately notify the Chair of the Board if he or she ceases to meet the qualifications for Committee membership for any reason.

Any member of the Compensation Committee may be removed and replaced at any time by the Board, and will automatically cease to be a member as soon as he or she ceases to meet the qualifications set out above. The Board will fill vacancies on the Compensation Committee by appointment from among qualified members of the Board on the recommendation of the Corporate Governance and Nominating Committee. If a vacancy exists on the Compensation Committee, the remaining members may exercise all of its powers so long as there is a quorum.

3. STRUCTURE AND OPERATION

The Committee shall meet as frequently as is necessary, but not less than annually. A quorum at any meeting of the Committee shall be a majority of members, except where the Committee has four members, in which case a quorum shall be two members. Meetings of the Committee shall be constituted so that Canadian residency requirements of the *Canada Business Corporations Act* are met.

Each year, the Board will appoint one member to be Chair of the Compensation Committee. If, in any year, the Board does not appoint a Chair, the incumbent Chair will continue in office until a successor is appointed. The Committee Chair, in consultation with the Chair

of the Board or the Vice-Chair of the Board, shall set the agenda for each meeting of the Committee. The agenda for each meeting will afford an opportunity for Committee members to meet separately, without management.

The powers of the Committee may be exercised by majority vote at a meeting where a quorum is present or by resolution in writing signed by all members of the Committee.

4. DUTIES

The Compensation Committee is responsible for performing the duties set out below as well as any other duties that are delegated to the Compensation Committee by the Board.

(a) Senior Management

The Compensation Committee will review the Corporation's organizational structure, and consider policies and principles for the selection and retention of senior management. For the purposes of this Charter, references to "senior management" mean (i) officers of the Corporation who comprise the "named executive officers" under applicable securities laws, and (ii) the Presidents and Chief Executive Officers of the Corporation's principal operating subsidiaries.

(b) Senior Management Development

The Compensation Committee will:

- review and monitor executive development programs, including training and retention programs for members of senior management;
- recommend policies and principles for performance reviews of members of senior management, and review and monitor the practices used to evaluate members of senior management; and
- review the Chief Executive Officer's recommendations with respect to the recruitment, promotion, transfer and termination of other members of senior management.

(c) Incentive Compensation Plans and Equity-Based Plans

The Compensation Committee will approve any incentive compensation or equity-based compensation plans, amendments to such plans, and annual grants or awards under such plans, subject to shareholder or Board approval, as appropriate.

(d) Benefit Plans and Perquisites

The Compensation Committee will review and approve all benefit plans designed primarily for members of senior management and on at least an annual basis, shall review any other perquisites granted to members of senior management.

(e) Employment Agreements and Severance Arrangements

The Compensation Committee will approve employment agreements, severance arrangements and any changes to relevant contractual agreements and provisions, including pension arrangements, for all members of senior management.

(f) Evaluation and Compensation of the Chief Executive Officer

The Compensation Committee will:

- develop a position description for the Chief Executive Officer, setting out the Chief Executive Officer's authority and responsibilities, review regularly the position description and recommend any changes to the Corporate Governance and Nominating Committee;
- review and approve the corporate goals and objectives that are relevant to the Chief Executive Officer's compensation;
- evaluate the Chief Executive Officer's performance in meeting his or her goals and objectives;
- monitor the Chief Executive Officer's expense reporting;
- recommend to the Board (which for this purpose excludes members of management who are directors) the Chief Executive Officer's compensation based on the evaluation referred to above, compensation paid to chief executive officers and senior management in comparable organizations, the Corporation's performance and relative shareholder return, the competitive marketplace for persons with similar skills and attributes, the compensation paid to the Chief Executive Officer in prior years, and the Compensation Committee's assessment of the Chief Executive Officer's current and expected contribution to the Corporation's success; and
- recommend to the Board remedial action where necessary.

(g) Compensation of Senior Management

The Compensation Committee will, after obtaining the recommendation of the Chief Executive Officer, approve the compensation of members of senior management other than the Chief Executive Officer. The Compensation Committee will assess the compensation in light of the Corporation's performance and relative shareholder return, the compensation paid to senior management in comparable organizations, the competitive marketplace for persons with similar skills and attributes, the compensation paid to senior management in prior years, and the Committee's assessment of senior management's current and expected contribution to the Corporation's success.

(h) Compensation of Board Members

The Compensation Committee will review and recommend to the Corporate Governance and Nominating Committee of the Board the compensation to be paid to directors and members and chairs of committees of the Board pursuant to any incentive compensation or equity-based compensation plan.

5. REPORTING

The Compensation Committee will:

- regularly report to the Board on all significant matters it has addressed and with respect to such other matters as are within its responsibilities; and
- oversee the preparation and review of the “Compensation of Executive Officers” and “Report on Executive Compensation” (or similarly captioned) sections of the Corporation’s management proxy circular and other executive compensation disclosure of the Corporation prior to the public release of such disclosure.

6. REVIEW AND DISCLOSURE

The Compensation Committee will review this Charter at least annually and submit it to the Corporate Governance and Nominating Committee for approval with such further amendments as it deems necessary and appropriate.

A summary of this Charter will be disclosed annually to shareholders or, if significant amendments are made to the Charter, in the next management proxy circular following the adoption of such amendments.

7. ASSESSMENT

At least annually, the Corporate Governance and Nominating Committee will review the effectiveness of the Compensation Committee in fulfilling its responsibilities and duties as set out in this Charter.

8. ACCESS TO OUTSIDE ADVISORS

In carrying out its duties, the Compensation Committee may retain and instruct any outside advisor without Board approval at the expense of the Corporation at any time and has the authority to determine any such advisor’s fees and other retention terms. For greater certainty, the Compensation Committee has sole authority to retain and terminate any search firm, compensation consultant or advisor to be used to evaluate the compensation or performance of the Chief Executive Officer or other senior management.