

# FIRST NATIONAL

FINANCIAL CORPORATION



**FIRST NATIONAL FINANCIAL CORPORATION  
NOTICE OF ANNUAL GENERAL MEETING  
OF SHAREHOLDERS  
AND  
MANAGEMENT INFORMATION  
CIRCULAR**

Meeting to be held at TMX Market Centre, 120 Adelaide Street West, Toronto.  
TUESDAY, MAY 16, 2023

## NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

**NOTICE IS HEREBY GIVEN** that an annual general meeting (the “**Meeting**”) of the holders of common shares (the “**Common Shares**”) of First National Financial Corporation (the “**Corporation**”) will be held in-person at TMX Market Centre, 120 Adelaide Street West, Toronto, on May 16, 2023 at 10:00 a.m. (Toronto time) for the following purposes:

1. to receive the audited consolidated financial statements of the Corporation for the fiscal period ended December 31, 2022, together with the report of the auditors thereon (collectively the “**Audited Financial Statements**”);
2. to elect directors of the Corporation;
3. to appoint auditors for the Corporation and to authorize the directors of the Corporation to fix the remuneration of the auditors; and
4. to transact such further or other business as may properly come before the Meeting or any adjournment or postponement thereof.

### **Record Date**

The Corporation has fixed March 22, 2023 as the record date for the Meeting.

### **Notice-and-Access**

The Corporation is using notice-and-access to send this notice of meeting and the management information circular of the Corporation (the “**Management Information Circular**”), as well as the Audited Financial Statements and accompanying management discussion and analysis (collectively, the “**Proxy-Related Materials**”) to beneficial and registered holders of its Common Shares. Under notice-and-access, you still receive a proxy or voting instruction form enabling you to vote at the Meeting. However, instead of a paper copy of the Proxy-Related Materials, you receive this notice of meeting which contains information about how to access the Proxy-Related Materials electronically.

The Corporation is sending the Proxy-Related Materials directly to beneficial owners of its Common Shares who have not objected to an intermediary disclosing their beneficial ownership information. The Corporation also does not intend to pay for the cost of intermediaries to deliver the Proxy-Related Materials and the form of proxy (or voting instruction form) to beneficial owners of its Common Shares who have objected to an intermediary disclosing their beneficial ownership information. Such objecting beneficial owners will not receive such materials unless the intermediary assumes the cost of sending these materials to them.

The Management Information Circular and form of proxy (or voting instruction form) for the Common Shares provide additional information concerning the matters to be dealt with at the Meeting. **You should access and review all information contained in the Management Information Circular and form of proxy (or voting instruction form) before voting.**

Shareholders with questions about notice-and-access can call Broadridge Investor Communication Solutions at 1-855-887-2244.

### **Websites Where Meeting Materials are Posted**

The Proxy-Related Materials can be viewed online on the Corporation’s website, <http://www.firstnational.ca/investor-relations/financial-reports-filings>, or under First National Financial Corporation’s SEDAR profile at [www.sedar.com](http://www.sedar.com).

### **How to Obtain Paper Copies of the Meeting Materials**

Beneficial shareholders may request that paper copies of the Proxy-Related Materials be mailed to them at no cost within three business days of the request, provided the request is made before the date of the Meeting or any adjournment thereof. Requests may be made up to one year from the date that the Management Information Circular was filed on SEDAR by calling First National Investor Relations at 1-800-465-0039. Requests should be received at least seven business days in advance of the date and time set out in your form of proxy (or voting instruction form) as a voting deadline if you would like to receive the Proxy Related Materials in advance of the voting deadline and meeting date.

### **Voting**

Beneficial shareholders should complete, sign and return the form of proxy (or voting instruction form) in accordance with the directions on the form and in the Management Information Circular.

Shareholders who are unable to attend the meeting are requested to complete, date, sign and deposit the enclosed form of proxy with Computershare Trust Company of Canada, 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1, not later than 10:00 a.m. (Toronto time) on May 12, 2023, or forty-eight (48) hours (excluding Saturdays, Sundays and holidays) before the time of the holding of any adjourned or postponed Meeting, so that as large a representation as possible may be had at the Meeting.

If you are a non-registered shareholder and have received this notice from your broker or another intermediary, please complete and return the form of proxy, voting information form or other authorization form provided to you by your broker or other intermediary in accordance with the instructions provided to you.

**DATED** at Toronto, this 27th day of March, 2023.

**BY ORDER OF THE BOARD OF DIRECTORS**

/s/Stephen Smith

Stephen Smith  
Executive Chairman

# FIRST NATIONAL

FINANCIAL CORPORATION



**First National Financial Corporation  
Management Information Circular  
(as at March 27, 2023)  
Annual General Meeting of Shareholders**

## **SOLICITATION OF PROXIES**

**THIS MANAGEMENT INFORMATION CIRCULAR IS FURNISHED IN CONNECTION WITH THE SOLICITATION OF PROXIES BY THE MANAGEMENT OF FIRST NATIONAL FINANCIAL CORPORATION (THE “CORPORATION”) FOR USE AT THE ANNUAL GENERAL MEETING OF SHAREHOLDERS (“SHAREHOLDERS”) OF THE CORPORATION (THE “MEETING”) TO BE HELD AT THE TIME AND PLACE AND FOR THE PURPOSES SET FORTH IN THE ENCLOSED NOTICE OF MEETING (“THE NOTICE”).** It is expected that the solicitation of proxies will be primarily by mail, but proxies may also be solicited personally or by telephone by employees of the Corporation. The cost of soliciting proxies for management will be borne by the Corporation.

The Corporation is using notice-and-access to send the Notice and this Management Information Circular, as well as the audited consolidated financial statements of the Corporation for the fiscal period ended December 31, 2022 and accompanying management discussion and analysis (collectively, the “**Proxy-Related Materials**”) to beneficial and registered holders of its common shares (the “**Common Shares**”). Under notice-and-access, you still receive a proxy or voting instruction form enabling you to vote at the Meeting. However, instead of a paper copy of the Proxy-Related Materials, you receive the Notice which contains information about how to access the Proxy-Related Materials electronically.

Under the notice-and-access system, the Notice and form of proxy (or voting instruction form) were mailed on or about March 31, 2023 to all Shareholders of record of the Corporation as of the close of business on the record date of March 22, 2023. The Notice provides instructions regarding the website availability of the Proxy-Related Materials. Shareholders can access the Proxy-Related Materials on the Corporation’s website. Instructions on how to request a paper copy of the Proxy-Related Materials can be found in the Notice.

This Management Information Circular and the form of proxy (or voting instruction form) for the Common Shares provide additional information concerning the matters to be dealt with at the Meeting. **You should access and review all information contained in this Management Information Circular and form of proxy (or voting instruction form) before voting.**

## INTERPRETATION

In this Management Information Circular, for any period that ended prior to January 1, 2011, unless the context otherwise requires, any reference to *First National Financial Corporation* or *the Corporation* will be deemed to be a reference to its predecessor, First National Financial Income Fund.

In addition, references in this Management Information Circular to “**First National**” are to First National Financial LP (together, as applicable, with its general partner, First National Financial GP Corporation). Unless otherwise stated in this Management Information Circular, the information contained herein is as at March 27, 2023 and all currency references are in Canadian dollars.

## FORWARD LOOKING INFORMATION

Included in this Management Information Circular, and the information incorporated by reference herein, is certain forward-looking information, as such term is defined under securities laws. This information relates to future events or future performance and reflects management’s expectations and assumptions regarding the growth, results of operations, performance and business prospects and opportunities of the Corporation and First National. Such forward-looking information reflects management’s current beliefs and is based on information currently available to management of the Corporation and a number of assumptions that management believed were reasonable on the day such forward-looking information was presented. Refer, in particular, to the sections of the Corporation’s 2022 management discussion and analysis (the “**2022 MD&A**”) entitled “*Vision and Strategy*”, “*Forward-Looking Information*” and “*Outlook*”, for a discussion of certain assumptions management has made in presenting forward-looking information, which sections are incorporated by reference herein. In some cases, forward-looking information can be identified by terminology such as “may”, “will”, “should”, “expect”, “plan”, “anticipate”, “believe”, “estimate”, “predict”, “potential”, “continue” or the negative of these terms or other similar expressions concerning matters that are not historical facts. In particular, information regarding the Corporation’s or First National’s future operating results and economic performance is forward-looking information. A number of factors could cause actual events or results to differ materially from the events and results discussed in the forward-looking information.

In evaluating this forward-looking information, investors should specifically consider various factors, including the risks outlined under “*Risk Factors*” of the Corporation’s 2022 Annual Information Form (the “**2022 AIF**”) and under the section entitled “*Risks and Uncertainties Affecting the Business*” in the 2022 MD&A, which may cause actual events or results to differ materially from any forward-looking information. These and other risk factors that could cause actual results to differ materially from our expectations expressed in or implied by such forward-looking information are discussed throughout the 2022 AIF and in the 2022 MD&A, including in the section entitled “*Risks and Uncertainties Affecting the Business*”.

Although the forward-looking information contained in this Management Information Circular, and the information incorporated by reference herein, is based on what management of the Corporation considers reasonable assumptions based on information currently available to it, there can be no assurance that actual events or results will be consistent with this forward-looking information, and management’s assumptions may prove to be incorrect.

Except as may be required by Canadian securities law, the Corporation disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

## SUMMARY INFORMATION

*The following is a summary of certain information contained elsewhere in this Management Information Circular, including the Appendices hereto, and is qualified in its entirety by reference to the more detailed information contained or referred to elsewhere in this Management Information Circular or in the Appendices hereto.*

## **The Meeting**

The Meeting will be held at TMX Market Centre, 120 Adelaide Street West, Toronto, on May 16, 2023, at 10:00 a.m. (Toronto time) for the purposes set forth in the accompanying Notice of Meeting. The business of the Meeting will be: (i) to receive the audited consolidated financial statements of the Corporation for the fiscal period ended December 31, 2022, together with the report of the auditors thereon (the “**Audited Financial Statements**”); (ii) to elect the directors; and (iii) to appoint auditors and to authorize the directors to fix their remuneration.

As of the date of this Management Information Circular, the directors are not aware of any changes to these items, and do not expect any other items to be brought forward at the Meeting.

## **Placement before Shareholders of Audited Financial Statements**

The Audited Financial Statements placed before the Shareholders are included in the Corporation’s 2022 annual report and available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Election of the Board of Directors**

The Corporation is required to have a board of directors (the “**Board**”) which shall consist of a minimum of three (3) and a maximum of ten (10) directors. The number of directors to be elected at the Meeting has been fixed by the Board at nine (9). All of the proposed nominees are currently directors of the Corporation.

Nine (9) directors are to be elected to the Board. Please refer to the “Election of Directors” section of this Management Information Circular.

If you do not specify how you want your Common Shares voted, the persons named as proxyholders will cast the votes represented by proxy at the Meeting FOR the election of each of the nominee directors who are named in this Management Information Circular.

## **Appointment of Auditors**

The Board recommends that Ernst & Young LLP be reappointed as auditors of the Corporation. Ernst & Young LLP were first appointed as auditors of the Corporation on June 15, 2006. The auditors appointed at the Meeting will serve until the end of the next Annual General Meeting or until their successors are appointed.

If you do not specify how you want your Common Shares voted, the persons named as proxyholders will cast the votes represented by proxy at the Meeting FOR the appointment of Ernst & Young LLP as auditors.

## **GENERAL PROXY INFORMATION**

The persons named in the enclosed form of proxy are directors of the Corporation. **A SHAREHOLDER DESIRING TO APPOINT SOME OTHER PERSON TO REPRESENT HIM OR HER AT THE MEETING MAY DO SO** either by inserting such person’s name in the blank space provided in the form of proxy or by completing another proper form of proxy and, in either case, depositing the completed proxy at the office of the transfer agent indicated on the enclosed envelope not later than forty-eight (48) hours (excluding Saturdays, Sundays and holidays) before the time of holding the Meeting or any adjournment or postponement thereof.

A proxy given pursuant to this solicitation may be revoked by timely voting again, or by depositing an instrument in writing, including another proxy bearing a later date, executed by the Shareholder or by his or her attorney authorized in writing, and deposited either at the registered office of the Corporation at any time up to and including the last business day preceding the day of the Meeting, or any adjournment or postponement thereof, at which the proxy is to be used, or by transmitting, by telephone or electronic means in compliance with the requirements above and signed with an electronic signature provided that the means of electronic signature permits a reliable determination of the document's creator, or in any other manner permitted by law.

### VOTING OF PROXIES

The Common Shares represented by properly executed proxies in the name of the persons designated in the printed portion of the enclosed form of proxy **WILL BE VOTED FOR EACH OF THE MATTERS TO BE VOTED ON BY SHAREHOLDERS AS DESCRIBED IN THIS MANAGEMENT INFORMATION CIRCULAR OR VOTED AGAINST OR WITHHELD IF SO INDICATED ON THE FORM OF PROXY**. The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice, or other matters that may properly come before the Meeting. At the time of printing this Management Information Circular, the management of the Corporation knows of no such amendments, variations or other matters to come before the Meeting.

### VOTING OF COMMON SHARES – ADVICE TO BENEFICIAL SHAREHOLDERS

The information set forth in this section is of significant importance to the holders of Common Shares who do not hold Common Shares in their own names. Such holders, referred to in this Management Information Circular as “**Beneficial Shareholders**”, should note that since all Common Shares are held in the book-based system operated by CDS Clearing and Depository Services Inc. (“**CDS**”), only proxies deposited by CDS, as the sole registered holder of Common Shares, can be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a holder by a broker, then those Common Shares will not be registered in the holder's name on the records of the Corporation. All of such Common Shares will be registered under the name of CDS & Co., the registration name for CDS.

The Corporation is sending the Proxy-Related Materials directly to Beneficial Shareholders who have not objected to an intermediary disclosing their beneficial ownership information. The Corporation also does not intend to pay for the cost of intermediaries to deliver the Proxy Related Materials and the form of proxy (or voting instruction form) to Beneficial Shareholders who have objected to an intermediary disclosing their beneficial ownership information. Such objecting Beneficial Shareholders will not receive such materials unless the intermediary assumes the cost of sending these materials to them.

Typically, intermediaries will use service companies to forward the meeting materials to Beneficial Shareholders. Beneficial Shareholders who have not waived the right to receive meeting materials will either:

- (a) be given a voting instruction form which must be completed and signed by the Beneficial Shareholder in accordance with the directions on the voting instruction form, which may in some cases permit the completion of the voting instruction form by telephone or through the Internet; or

- (b) be given a proxy which has already been signed by the intermediary (typically by a facsimile, stamped signature), which is restricted as to the number of Common Shares beneficially owned by the Beneficial Shareholder but which is otherwise uncompleted. This form of proxy need not be signed by the Beneficial Shareholder. In this case, the Beneficial Shareholder who wishes to submit a proxy should otherwise properly complete the form of proxy received from the intermediary and deposit it with the Computershare Trust Company of Canada, 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1 as described above.

The purpose of these procedures is to permit Beneficial Shareholders to direct the voting of the Common Shares they beneficially own. Should a Beneficial Shareholder who receives either a proxy or a voting instruction form wish to attend and vote at the Meeting in person, or have another person attend and vote on behalf of the Beneficial Shareholder, the Beneficial Shareholder should strike out the names of the persons named in the proxy and insert the Beneficial Shareholder's or such other person's name in the blank space provided or, in the case of a voting instruction form, follow the corresponding instructions on the form. In either case, Beneficial Shareholders should carefully follow the instructions of their intermediaries and their service companies.

If you are a Beneficial Shareholder and wish to vote in person at the meeting, please review the voting instructions provided to you or contact your broker or agent well in advance of the meeting to determine how you can do so.

### **Voting Requirements**

All matters to be brought before the Meeting require, for the passing of same, a simple majority of votes cast at the Meeting by holders of the Common Shares by proxy or in person. The transfer agent counts and tabulates the votes.

### **Voting Common Shares and Quorum**

As at March 27, 2023, the Corporation had issued and outstanding 59,967,429 Common Shares, 2,984,835 Class A Preference Shares, Series 1 (the "**Series 1 Preference Shares**") and 1,015,165 Class A Preference Shares, Series 2 (the "**Series 2 Preference Shares**"). Only holders of the Common Shares will be entitled to vote at the Meeting. Each Shareholder is entitled to one vote for each Common Share registered in his or her name.

Pursuant to the Corporation's by-laws, a quorum is present at the Meeting if the holders of not less than 10% of the shares entitled to vote at the meeting are present at the Meeting or represented by proxy, irrespective of the number of persons present at the Meeting.

## **MAJORITY VOTING POLICY**

The Board has adopted a majority voting policy relating to the election of directors. Pursuant to this policy, any nominee for director of the Corporation who, in an uncontested election, receives a greater number of votes withheld than number of votes in favour will promptly submit his or her resignation to the Board for consideration following the Meeting. Such proposed resignations will be considered by directors other than the individual who submitted a resignation. The Board will accept the resignation absent exceptional circumstances. The Corporation will issue a press release within 90 days following the date of the Meeting disclosing if the directors accepted or rejected any such resignation. If the proposed resignation was rejected, the reasons therefor will also be included in the press release.



## **MECHANISMS OF BOARD RENEWAL AND REPRESENTATION OF WOMEN ON THE BOARD AND IN EXECUTIVE OFFICER APPOINTMENTS**

### **Director Term Limits and Other Mechanisms of Board Renewal**

The Board believes that the need to have experienced directors who are familiar with the business of the Corporation must be balanced with the need for fresh perspectives and a healthy skepticism when assessing management and its recommendations. The Board has not adopted director term limits or other mechanisms of Board renewal because the Corporation has found that having long standing directors on its Board does not negatively impact Board effectiveness, and instead contributes to boardroom dynamics such that the Corporation has for many years had a consistently high performing Board.

In addition, the Board believes that term limits have the disadvantage of losing the contribution of directors who have been able to develop, over a period of time, increasing insight into the Corporation and its operations and thereby provide an increasing contribution to the Board as a whole.

### **Policies Regarding the Representation of Women on the Board**

The Corporation has not adopted a written policy relating to the identification and nomination of women directors to the Corporation's Board but rather has an informal, unwritten policy. The Corporation believes that this approach is appropriate for its circumstances and a formal written policy is not necessary to achieve positive outcomes in Board and senior management gender diversity.

### **Consideration of the Representation of Women in the Director Identification and Selection Process**

In identifying and nominating candidates for election or re-election to the Board, the Board considers the level of representation of women on the Board.

In considering the level of representation of women on the Board, the Board considers the following factors:

- the competencies, skills and other diverse qualities the existing directors possess;
- the competencies, skills and personal and other diverse qualities required for new directors in order to add value to the Corporation in light of opportunities and risks facing the Corporation; and
- the size of the Board, with a view to facilitating effective decision-making.

Selection of female candidates to the Board will be, in part, dependent upon the pool of female candidates with the necessary skills, knowledge and experience. The ultimate decision will be based on merit and the contribution the chosen candidate will bring to the Board.

### **Consideration of the Representation of Women in Executive Officer Appointments**

In appointing executive officers to the management team, the Corporation considers the level of representation of women in executive officer positions.

In considering the level of representation of women in executive officer positions, the Corporation considers the following factors:

- the competencies and skills the executive team, as a whole, should possess; and
- the competencies, skills and personal and other diverse qualities required for new executive officers in order to add value to the Corporation in light of opportunities and risks facing the Corporation.

## **Issuer's Targets Regarding the Representation of Women on the Board and in Executive Officer Positions**

The Corporation has not adopted a target regarding women on the Corporation's Board. The Corporation does not believe that any director nominee should be chosen nor excluded solely or largely because of gender. In selecting a director nominee, the Board focuses on skills, expertise and background that would complement the existing Board.

The Corporation has not adopted a target regarding women in executive officer positions. The Corporation does not believe that any candidate for an executive officer position should be chosen nor excluded solely or largely because of gender. In selecting a candidate, the Corporation considers the skills, expertise and background that would complement the existing management team.

## **Number of Women on the Board and in Executive Officer Positions**

As of the date of this Management Information Circular there are three women on the Corporation's Board, representing 33.3% of the directors. As of the date of this Management Information Circular one of the Corporation's executive officers is a woman, representing 12.5% of the Corporation's executive officers.

## **VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF**

To the knowledge of the directors and officers of the Corporation, the only persons that beneficially own, or control or direct, directly or indirectly, Common Shares carrying more than 10% of the voting rights are Stephen Smith, Director and Executive Chairman of the Corporation and Moray Tawse, Director, Executive Vice President and Secretary of the Corporation. Stephen Smith beneficially holds, directly or indirectly, 22,409,355 Common Shares representing approximately 37.4% of the issued and outstanding Common Shares (on a fully diluted basis). Moray Tawse beneficially holds, directly or indirectly, 20,409,355 Common Shares representing approximately 34.0% of the issued and outstanding Common Shares (on a fully diluted basis).

Other than the shares which are held indirectly by Stephen Smith and Moray Tawse, the directors and executive officers of First National beneficially own, directly or indirectly, or exercise control or direction over an aggregate of 75,073 Common Shares, representing approximately 0.1% of the issued and outstanding Common Shares (on a fully diluted basis) and 9200 Series 1 Preference Shares, representing 0.2% of the issued and outstanding Series 1 Preference Shares.

## **PARTICULARS OF MATTERS TO BE ACTED UPON AT THE MEETING**

### **Nominees for Election to the Board of Directors**

The Corporation is required to have a Board which shall consist of a minimum of three (3) directors and a maximum of ten (10) directors. The directors serve until the next annual meeting of Shareholders or until such director's successor is duly elected or appointed. The number of directors to be elected at the Meeting has been fixed by the Board at nine (9). The nine (9) nominees proposed for election as directors of the Corporation are as follows:

Name and Municipality of Residence	Present Office	Principal Occupation	Age	Director (or Trustee) Since	Number of Common Shares of the Corporation Beneficially Owned or Controlled
STEPHEN SMITH <sup>(1)</sup> Toronto, Ontario, Canada	Director	Director and Executive Chairman of the Corporation	71	April 19, 2006	22,409,355
MORAY TAWSE Toronto, Ontario, Canada	Director	Director and Executive Vice President and Secretary of the Corporation	66	April 19, 2006	20,409,355 <sup>(8)</sup>
JASON ELLIS Toronto, Ontario, Canada	Director	Director and President and Chief Executive Officer of the Corporation	52	January, 2022	2,000
DUNCAN JACKMAN <sup>(4)</sup> Toronto, Ontario, Canada	Independent Director	Chairman, President and CEO of E-L Financial Corporation, Chairman, The Empire Life Insurance Company, Chairman, Algoma Central Corporation, Chairman and President of Economic Investment Trust Limited and United Corporations Limited	56	June 8, 2006	11,000
ROBERT MITCHELL <sup>(2)(3)(6)</sup> Vancouver, British Columbia, Canada	Independent Director	Executive Chair, Dixon Mitchell Investment Counsel Inc.	68	June 8, 2006	6,640
BARBARA PALK <sup>(4)(5)</sup> Toronto, Ontario, Canada	Independent Director	Corporate Director, Crombie Real Estate Investment Trust	71	March 26, 2013	3,000
ROBERT PEARCE <sup>(2)(4)</sup> Oakville, Ontario, Canada	Independent Director	Director, Canada Guaranty Mortgage Insurance Company, CPI Card Group and Fairstone Bank of Canada	68	July 6, 2017	7,500
DIANE SINHUBER <sup>(2)(8)</sup> Mississauga, Ontario, Canada	Independent Director	Corporate Director, Scarborough Health Network	60	October 6, 2022	2000
MARTINE IRMAN <sup>(4)(8)</sup> Toronto, Ontario, Canada	Independent Director	Corporate Director, TMX Group of Companies, Plan International Canada, St. Michael's Hospital Foundation	58	October 6, 2022	0

Notes:

- (1) Mr. Smith was Chairman and Chief Executive Officer of the Corporation from 2006 until January 12, 2022. He is currently Executive Chairman of the Corporation.
- (2) Member of the Audit Committee.
- (3) Chair of Audit Committee.
- (4) Member of the Governance Committee of First National Financial GP Corporation.
- (5) Chair of the Governance Committee of First National Financial GP Corporation.
- (6) Lead independent director.
- (7) Mr. Tawse also owns or controls, directly or indirectly, 393,050 Series 1 Preference Shares.
- (8) Ms. Sinhuber and Ms. Irman were appointed to the Board on October 6, 2022 following the retirement of John Brough on September 30, 2022.

**Stephen Smith**, one of Canada's leading financial services entrepreneurs, is the Chairman and CEO of Smith Financial Corporation. During his career, he has been an innovator in the development and utilization of various securitization techniques to finance mortgage assets as well as a leader in the development and application of information technology (MERLIN) in the mortgage industry.

Mr. Smith co-founded First National Financial Corporation in 1988, served as CEO until 2022, and remains the Executive Chair. Mr. Smith is Chair of Canada Guaranty Mortgage Insurance Company, which he owns in partnership with Ontario Teachers' Pension Plan. He is Chair and co-owner of Peloton Capital Management, a mid-market North American private equity firm. He is Chair and co-owner of Glass, Lewis & Co., a leading global proxy advisory firm. Also, he is Chair and co-owner of Fairstone Bank of Canada and the largest shareholder in EQB Inc.

He is Chair of Historica Canada, creator of the Heritage Minutes and publisher of The Canadian Encyclopedia. He is a member of the Boards of the Rideau Hall Foundation, Canada Infrastructure Bank and the C.D. Howe Institute and is an Honourary Governor of the Royal Ontario Museum.

In 2015, Queen's University announced the naming of The Stephen J.R. Smith School of Business at Queen's University in honour of Mr. Smith and his historic \$50-million donation to the school. In 2019, Mr. Smith was inducted into the Canadian Business Hall of Fame. In 2012, he was awarded the Queen's Diamond Jubilee Medal.

Mr. Smith holds a B.Sc. (Hons.) in Electrical Engineering from Queen's University and a M.Sc. in Economics from the London School of Economics. In 2017, Queen's University awarded him an Honourary LL.D.

**Moray Tawse** is Executive Vice President and Secretary of First National, and Executive Vice President and Co-founder of First National. Mr. Tawse directs the operations of all of the Corporation's commercial mortgage origination activities. With over 30 years of experience in the real estate finance industry, Mr. Tawse is one of Canada's leading experts on commercial real estate and is often called upon to deliver keynote addresses at national real estate symposiums.

**Jason Ellis** is the President and Chief Executive Officer of the Corporation and is responsible for the design and maintenance of strategy and operational excellence across the organization. Mr. Ellis joined First National in 2004 as Director, Capital Markets responsible for leading First National's capital markets' activities including interest rate risk management, funding, and securitization for all commercial and residential mortgage origination. Mr. Ellis was appointed Chief Operating Officer in 2018 and President in 2019. On January 12, 2022, Mr. Ellis was appointed Chief Executive Officer. Prior to joining First National in 2004, Mr. Ellis was with the Asset/Liability Management group at Manulife Financial and with RBC Dominion Securities in Toronto and New York where he traded fixed income and interest rate derivatives. Mr. Ellis holds a BA degree from the University of Western Ontario, an MBA degree from McMaster University and is a CFA charterholder.

**Duncan N. R. Jackman** has been Chairman, President and Chief Executive Officer of E-L Financial Corporation, an investment and insurance holding company, since 2003. In 2003, he was also elected Chairman of the board of directors of The Empire Life Insurance Company. Mr. Jackman is also Chairman of Algoma Central Corporation, the largest Great Lakes bulk shipper, as well as Chairman and President of Economic Investment Trust Limited and United Corporations Limited, two Canadian listed closed-end funds. He also serves as a member of the board of directors of several other public and private companies. Mr. Jackman is a member of the Business Council of Canada and formerly served on the Economic Advisory Council to the Minister of Finance, Government of Canada. He is also Chair of the Patron's Council for Community Living Toronto, which provides support to thousands of individuals with an intellectual disability. Mr. Jackman graduated from McGill University in Montreal.

**Robert Mitchell** was appointed Executive Chair and Chair of the Investment Committee of Dixon Mitchell Investment Counsel Inc., a Vancouver-based investment management company, on January 1, 2021. From 2000 to 2020, he was President of Dixon Mitchell Investment Counsel Inc. Prior to that, he was Vice President, Investments at Seaboard Life Insurance Company. Mr. Mitchell has an MBA from the University of Western Ontario and a Bachelor of Commerce (Finance) from the University of Calgary, and is a CFA charterholder. Mr. Mitchell sits on the board of Equestrian Canada.

**Barbara Palk** retired as President of TD Asset Management Inc. in 2010, following a 30-year career in institutional investment and investment management. She currently serves on the board of directors of Crombie Real Estate Investment Trust, where she chairs the Governance and Nominating Committee. Her experience on boards of directors include the Ontario Teachers' Pension Plan, where she chaired the Investment Committee; TD Asset Management USA Funds Inc.; Canadian Coalition for Good Governance, where she chaired the Governance Committee; Greenwood College School; the Investment Counselling Association of Canada; the Perimeter Institute; the Shaw Festival; UNICEF Canada; and Queen's University, where she was the Chair of the Board of Trustees. Ms. Palk is a member of the Institute of Corporate Directors, a Fellow of the Canadian Securities Institute and a CFA charterholder. She holds a Bachelor of Arts (Honours) in Economics from Queen's University, and has been named one of Canada's Top 100 Most Powerful Women (2004).

**Robert Pearce** serves on the board of directors of Canada Guaranty Mortgage Insurance Company, CPI Card Group and Fairstone Bank of Canada. Mr. Pearce spent 26 years with BMO Bank of Montreal from 1980 to 2006, most recently holding the position of President and Chief Executive Officer, Personal and Commercial Client Group. He also served on the board of directors of MasterCard International from 1998 to 2006 and as Chairman of the Canadian Bankers' Association from 2004 to 2006. Mr. Pearce holds a BA from the University of Victoria and an MBA from the University of British Columbia. Mr. Pearce brings over 40 years of operational and leadership experience in the financial services industry to the Board of Directors.

**Diane Sinhuber** serves on the board of directors of the Corporation and Scarborough Health Network and is an independent and objective financial expert, as well as a risk, governance and controls professional with over 35 years' experience providing accounting and auditing services, including reporting to and chairing Audit Committees. Ms. Sinhuber is knowledgeable in IFRS, Canadian accounting standards for private enterprises and not-for-profit organizations, US GAAP, and PCAOB requirements and has provided services to all types of financial institutions and within a global bank. She is a retired Deputy Chief Auditor of TD Bank Group and held several positions with Ernst & Young LLP over a 29 year period, including as leader of EY Canada's Financial Services Organization for all service lines. She previously served on a number of Boards including as Chair of the YMCA of Greater Toronto and the Kidney Foundation of Canada in Toronto. Ms. Sinhuber has a Bachelor of Business Administration from Wilfred Laurier University, is a Fellow of Chartered Professional Accountants of Ontario (FCPA) and holds the ICD.D certification.

**Martine Irman** serves on the board of directors of the Corporation, the TMX Group of Companies and Plan International Canada. She also sits on the Board of St. Michael's Hospital Foundation and the Campaign Committee of MAP Centre For Urban Health Solutions, and is the Immediate Past Chair of the Board for Export Development Canada. Ms. Irman is a senior financial executive and brings over 30 years' experience in international banking, treasury, securities and trade and has spent 20 years sitting on both corporate and not-for-profit boards along with Executive Advisory Councils. She held several senior level positions over a 30 year period with TD including as Vice-Chair, TD Securities and Senior Vice President, TD Bank Group. She is also a Past Chair of the Board of the YMCA of Greater Toronto. Ms. Irman holds a Bachelor of Arts in Economics and Financial Studies from the University of Western Ontario and has completed The Wharton Business School Advanced Management Executive Program. She is a graduate of the Rotman School of Management Institute of Corporate Directors and holds the ICD.D certification and the Global Competent Board International ESG Désignation, GCB.D.

The directors also serve as directors of First National Financial GP Corporation, the entity responsible for the management of First National Financial LP, which is the operating entity in which the Corporation holds a 99.99% interest (with the remaining 0.01% interest held by First National Financial GP Corporation, as general partner).

## Appointment of Auditors

At the Meeting, Shareholders will be asked to approve a resolution appointing Ernst & Young LLP as auditors of the Corporation, and to authorize the directors to fix their remuneration. Ernst & Young LLP have acted as auditors of the Corporation (including its predecessor, First National Financial Income Fund) since June 15, 2006.

Fees incurred by the Corporation for work performed by Ernst & Young LLP, the Corporation's external auditors, during each of the last two fiscal years for audit and audit-related services were as follows:

External Auditor Service Fees (\$ thousands)		
Ernst & Young LLP	2022	2021
Audit Fees	887	792
Audit-Related Fees	673	652
Tax Fees	-	-
<b>Total</b>	<b>1,561</b>	<b>1,444</b>

Unless such authority is withheld, the persons named in the accompanying proxy will vote for **Ernst & Young LLP**, as auditors of the Corporation and to authorize the directors to fix their remuneration. The auditor will hold office until the next annual meeting of the Corporation's Shareholders or until their successors are appointed.

## INTEREST OF PERSONS IN MATERIAL TRANSACTIONS

Other than as set forth herein and below, or as previously disclosed, management of the Corporation is not aware of any material interest, direct or indirect, of any informed person of the Corporation, any proposed director of the Corporation, or any associate or affiliate of any informed person or proposed director, in any transaction since the commencement of the Corporation's most recently completed financial period or in any proposed transaction of the Corporation which has materially affected or would materially affect the Corporation or any of its subsidiaries.

## INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

No director or executive officer of the Corporation or any proposed nominee for election as a director of the Corporation, or any associate or affiliate of the foregoing persons has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in matters to be acted upon at the Meeting.

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

#### *Objectives of Compensation Program*

First National's compensation program is designed to retain and motivate highly qualified executive officers and to reward performance that furthers the stated goals of First National.

#### *Elements of Compensation Program*

As discussed in further detail below, First National's compensation program consists of base salary and a discretionary bonus based on the overall financial performance of First National and the individual's own performance.

### *Base Salary*

The primary element of First National's compensation program is base salary. First National's view is that a competitive base salary is a necessary element for retaining qualified executive officers. The amount payable to a NEO (as defined below) as base salary is determined primarily by the number of years of experience of the NEO, as well as comparisons to the base salaries offered by comparable companies in the financial services industry. The base salary for each NEO is set at the end of each fiscal year for the next fiscal year.

Base salaries for Stephen Smith and Moray Tawse were set under the terms of employment contracts entered into at the time of the initial public offering of the Units of the Fund and adjusted by the board of directors of First National and are further described under the heading "Management Arrangements" below.

### *Bonus*

A secondary element of First National's compensation program is performance bonuses. First National's view is that the performance bonus is an effective means of rewarding executive officers who contribute in a meaningful way to First National and is determined based on the executive officer's performance and the overall financial performance of First National. All bonuses are approved by the Board.

### *Comparator Group*

First National's compensation program is developed with a view to providing competitive compensation that is in keeping with that offered by comparable companies in the financial services industry. The comparator group is comprised of the following companies: Home Capital Group Inc. and EQB Inc. (formerly Equitable Group Inc.). The companies in the comparator group were chosen because they participate in the same industry as First National and are similar in size to First National. First National reviewed overall compensation offered by the comparator group, comprised of salary and bonus figures for the 2021 fiscal year.

### *Performance Goals*

The bonus payable to a NEO is based on the achievement of the goals set out in the NEOs annual financial plan for the NEOs department within First National, and the role the NEO played in achieving such goals. Bonuses for NEOs are not solely dependent on objective or quantifiable targets. In addition, the bonus payable to a NEO will be adjusted up or down based on the overall performance of First National.

Total compensation of NEOs is determined by Stephen Smith and Moray Tawse, and is approved by the Board.

## **Summary Compensation Table**

The following table provides a summary of the compensation of the Executive Chairman, the President and Chief Executive Officer, the Executive Vice President, the Chief Financial Officer and the Senior Vice President, Commercial Mortgages (collectively, the "Named Executive Officers" or "NEOs") for the period from January 1, 2020 to December 31, 2022.

NEO Name and Principal Position  (a)	Year  (b)	Salary (\$)  (c)	Share-based Awards (\$)  (d)	Option Based Awards (\$)  (e)	Non-Equity Incentive Plan Compensation (Annual) (\$) <sup>(1)</sup>  (f)	Pension Value (\$)  (g)	All Other Compensation (\$) <sup>(2)</sup>  (h)	Total (\$)  (i)
STEPHEN SMITH <sup>(3)(4)</sup> Executive Chairman	2022	750,000.00					13,792.00	763,792.00
	2021	750,000.00			2,000.00		13,067.00	765,067.00
	2020	750,000.00					12,833.00	762,833.00
MORAY TAWSE <sup>(3)</sup> Executive Vice President	2022	750,000.00					13,962.00	763,963.00
	2021	750,000.00			2,000.00		13,330.00	765,330.00
	2020	750,000.00					13,079.00	763,079.00
JASON ELLIS <sup>(5)</sup> President and Chief Executive Officer	2022	1,000,000.00			350,000.00		10,505.00	1,360,505.00
	2021	900,000.00			352,000.00		10,505.00	1,262,505.00
	2020	700,000.00			350,000.00		10,489.00	1,060,489.00
ROBERT INGLIS Chief Financial Officer	2022	428,377.00			316,999.00		10,505.00	755,881.00
	2021	415,900.00			307,000.00		10,505.00	733,405.00
	2020	407,745.00			305,000.00		10,489.00	723,234.00
SCOTT MCKENZIE Senior Vice President Residential Mortgages	2022	450,345.00			346,766.00		22,133.00	819,244.00
	2021	437,228.00			338,666.00		20,048.00	795,942.00
	2020	428,655.00			336,000.00		19,482.00	784,137.00
JEREMY WEDGBURY Senior Vice President, Commercial Mortgages	2022	472,770.00			505,864.00		13,806.00	992,440.00
	2021	459,000.00			493,130.00		11,351.00	963,481.00
	2020	450,000.00			450,000.00		10,583.00	910,583.00

<sup>(1)</sup> The Corporation's Non-Equity Incentive Plan Compensation consists of cash bonus payments based on performance.

<sup>(2)</sup> These amounts include the Corporation's contribution to the NEO's deferred profit sharing plan.

<sup>(3)</sup> The total compensation paid to each of Mr. Smith and Mr. Tawse reflects the aggregate amount paid to each in consideration of all executive officer and director activities for the Corporation and its affiliates.

<sup>(4)</sup> On January 12, 2022, Jason Ellis was appointed Chief Executive Officer and Stephen Smith remained Executive Chairman. Mr. Smith's compensation has remained the same in recognition of his ongoing contributions to the Corporation.

<sup>(5)</sup> On January 12, 2022, Mr. Ellis was appointed Chief Executive Officer and his title changed to President and Chief Executive Officer. Mr. Ellis' salary was increased to reflect his new role and responsibilities with the Corporation. The total compensation paid to Mr. Ellis reflects the aggregate amount paid to him in consideration of all executive officer and director activities for the Corporation and its affiliates.

As described under the heading "Compensation Discussion and Analysis", compensation of NEOs other than Stephen Smith and Moray Tawse, is based on a combination of salary and bonus. Both salary and bonus are determined based on the performance of the individual, the individual's department and First National as a whole. Salary is established for the upcoming year based on the prior year's performance, while bonus is determined at the end of the fiscal year based on that year's performance.



Stephen Smith and Moray Tawse are compensated in accordance with the employment contracts entered into with First National on the date of the initial public offering of the Units of the Fund, as adjusted by the Board, and further described under the heading “Management Arrangements” below. The compensation paid under these contracts has been adjusted, and may be subject to further adjustment, by the Board. No material adjustments have been made since the date of the initial public offering of the Units of the Fund.

Each of the Jason Ellis, Robert Inglis and Jeremy Wedgbury met, was close to meeting or exceeded the financial plans set for their performances in 2022. When the individual and company wide performances were taken together, it was determined that each of these NEOs was eligible for a bonus as indicated in the compensation table above.

### **Report on Executive Compensation**

The Board is responsible for, among other things, making recommendations concerning the compensation of senior executive officers of First National Financial GP Corporation.

The total compensation structure for senior management (other than Stephen Smith and Moray Tawse) is comprised of an annual base amount and non-equity incentive plan compensation based on performance. Performance is based on achievement of corporate and individual objectives. For Stephen Smith and Moray Tawse, the Board has determined that given their ownership interests in the Corporation, non-equity incentive plan compensation is unnecessary as their interests are aligned with Shareholder value. There have been no identified risks associated with the Corporation’s compensation policies that could have adverse consequences on the Corporation, particularly as a result of compensation of senior management not being comprised of any share-based or option-based awards. All risks that may be identified as part of a review of the Corporation’s compensation policies are considered on a regular and ongoing basis by the Board.

There are no restrictions on NEOs or directors regarding the purchase of financial instruments that are designed to hedge or offset a decrease in market value of the Corporation’s securities other than a prohibition from taking short positions in the Corporation’s securities in an amount that would result in a net short position at any time. To the knowledge of the Corporation, for the financial year ended December 31, 2021, no NEO or director, directly or indirectly, employed a strategy to hedge or offset a decrease in market value of the Corporation’s securities.

### **Management Arrangements**

At the date of the initial public offering of the Units of the Fund on June 15, 2006, First National entered into employment agreements with Stephen Smith and Moray Tawse, which contain customary confidentiality, non-solicitation and non-competition covenants that extend post-expiry or termination of employment. In each case, the confidentiality covenants extend indefinitely, while the non-solicitation and non-competition covenants will extend for a period of two years post-expiry or termination. If terminated for other than cause, each is entitled to twenty-four (24) months prior written notice or payment of an amount equal to twenty-four (24) months salary at the rate in effect at the time of his termination.

### **Termination and Change of Control Benefits**

In November, 2017, the existing employment agreements with each NEO, other than Stephen Smith and Moray Tawse, were updated by the Corporation to provide certain rights in the event of a termination without cause or Change of Control (as defined below) of the Corporation.

#### **Change of Control**

If a Change of Control (as defined below) occurs, each NEO will be entitled to receive a change of control bonus equal to two (2) times such NEO’s Total Compensation (as defined below) less applicable statutory deductions (the “**Change of Control Payment**”), payable over eight (8) equal quarterly instalments following the Change of Control provided such NEO is actively employed with the Corporation on the relevant payment dates. However, in the case of a termination without cause, any unpaid portion of the Change of Control Payment, if any, will be accelerated. The Change of Control Payment is in addition to any other entitlement

arising from termination of such NEO's employment. "**Total Compensation**" means, for each NEO, an amount equal to such NEO's base salary plus the average performance bonus paid or payable for the immediately preceding two years. "**Change of Control**" means (i) any event as a result of or following which Stephen Smith and Moray Tawse, acting jointly or in concert, beneficially own or exercise control or direction over less than 30% of all issued and outstanding voting securities of the Corporation, or (ii) the acquisition by any party (other than Stephen Smith and Moray Tawse) acting jointly or in concert, of more than 50% of the issued and outstanding voting securities of the Corporation.

#### Termination with Cause

In the event of termination with cause, no NEO is entitled to any further compensation following their date of termination, including any Change of Control Payment.

#### Termination without Cause

In the event of a termination without cause, each NEO is entitled to an amount equal to his Total Compensation for a period equal to twenty-four (24) months to be paid in the form of salary continuance in accordance with the Corporation's regular payment practices.

If the NEO's employment is terminated without cause during the six (6) month period prior to a Change of Control the NEO remains eligible for the Change of Control Payment which will be paid within sixty (60) days after the date of the Change in Control.

#### Resignation

If a NEO voluntarily terminates their employment with the Corporation, such NEO will not be entitled to any performance bonus or Change of Control Payment or any further compensation following their date of termination.

#### Non-Competition and Non-Solicitation

Each NEO is subject to a non-competition provision during their employment and for a period of six (6) months following termination of employment without cause. Each NEO is also subject to provisions prohibiting solicitation of the Corporation's clients and partners, for a period of six (6) months following termination of employment for any reason and prohibiting solicitation of the Corporation's employees, for a period of twenty-four (24) months following termination of employment for any reason.

#### Termination and Change of Control Benefits

The following table shows the estimated incremental payments that would be paid to each NEO following the termination of their employment without cause or upon a Change of Control, assuming the triggering event took place on January 1, 2023.

Event	Stephen Smith (\$)	Moray Tawse (\$)	Robert Inglis (\$)	Scott McKenzie (\$)	Jeremy Wedgbury (\$)	Jason Ellis (\$)
<b>Termination without cause</b>						
Total Compensation (24 months)	1,500,000.00	1,500,000.00	1,520,738.00	1,625,745.00	1,990,362.00	2,900,000.00
<b>Change of Control</b>						
Change of Control Payment	–	–	1,520,738.00	1,625,745.00	1,990,362.00	2,900,000.00

## Compensation of Directors

Compensation for independent directors of the Corporation (who also serve as directors of First National Financial GP Corporation for no additional remuneration) is \$60,000 per director per year for attending meetings of the Board. The lead independent director receives an additional \$10,000 per year. The chair of the Audit Committee receives an additional \$20,000 per year, and the chair of the Governance Committee receives an additional \$10,000 per year. In addition, each director receives \$1,500 for each Board meeting, \$1,500 for each committee meeting, and \$1,000 for each telephone meeting the director attends. The Executive Chairman, formerly the Chief Executive Officer of First National, will continue to receive \$750,000 per year.

In respect of the year ended December 31, 2022, independent directors received total fees of \$452,500 as set forth in the table below:

Name	Board and Director Retainers	Committee Chair Retainers	Lead Independent Director Fee	Chair of Governance Committee	Director & Board Meeting Fees	Committee Meeting Fees	Board Special Meeting Fees	Governance Committee Special Meeting Fees	Total
JOHN BROUGH <sup>(1)</sup>	\$45,000.00	\$15,000.00	\$7,500.00		\$4,500.00	\$4,500.00			\$76,500.00
DUNCAN JACKMAN	\$60,000.00				\$6,000.00	\$6,000.00	\$3,000.00		\$75,000.00
ROBERT PEARCE	\$60,000.00				\$6,000.00	\$12,000.00	\$3,000.00	\$1,500.00	\$82,500.00
ROBERT MITCHELL	\$60,000.00	\$15,000.00	\$7,500.00		\$6,000.00	\$7,500.00	\$3,000.00		\$99,000.00
BARBARA PALK	\$60,000.00			\$10,000.00	\$6,000.00	\$6,000.00	\$3,000.00	\$1,500.00	\$86,500.00
DIANE SINHUBER <sup>(2)</sup>	\$15,000.00				\$1,500.00				\$16,500.00
MARTINE IRMAN <sup>(2)</sup>	\$15,000.00				\$1,500.00				\$16,500.00
<b>TOTAL</b>	<b>\$315,000.00</b>	<b>\$30,000.00</b>	<b>\$15,000.00</b>	<b>\$10,000.00</b>	<b>\$31,500.00</b>	<b>\$36,000.00</b>	<b>\$12,000.00</b>	<b>\$3,000.00</b>	<b>\$452,500.00</b>

<sup>(1)</sup> Mr. Brough retired from the Board effective September 30, 2022.

<sup>(2)</sup> Ms. Sinhuber and Ms. Irman were appointed to the Board effective October 6, 2022.

The independent directors do not receive any compensation other than retainers and fees set out in the table above.

First National Financial GP Corporation also reimburses directors for out-of-pocket expenses for attending meetings. No additional compensation is paid to directors for also serving as directors of the Corporation, except for attending separately held meetings. For the period ended December 31, 2022, the directors of the Corporation did not receive any additional compensation for acting as a director of the Corporation.

The Corporation maintains directors' and officers' liability insurance for the benefit of all directors and officers of the Corporation. In addition, the Corporation has entered into indemnification agreements with the Corporation's directors and officers. The indemnification agreements generally require that the Corporation indemnify and hold the indemnitees harmless to the greatest extent permitted by law for liabilities arising out of the indemnitees' service to the Corporation as directors and officers, if the indemnitees acted honestly and in good faith and in a manner the indemnitee reasonably believed to be in the Corporation's best interests and,

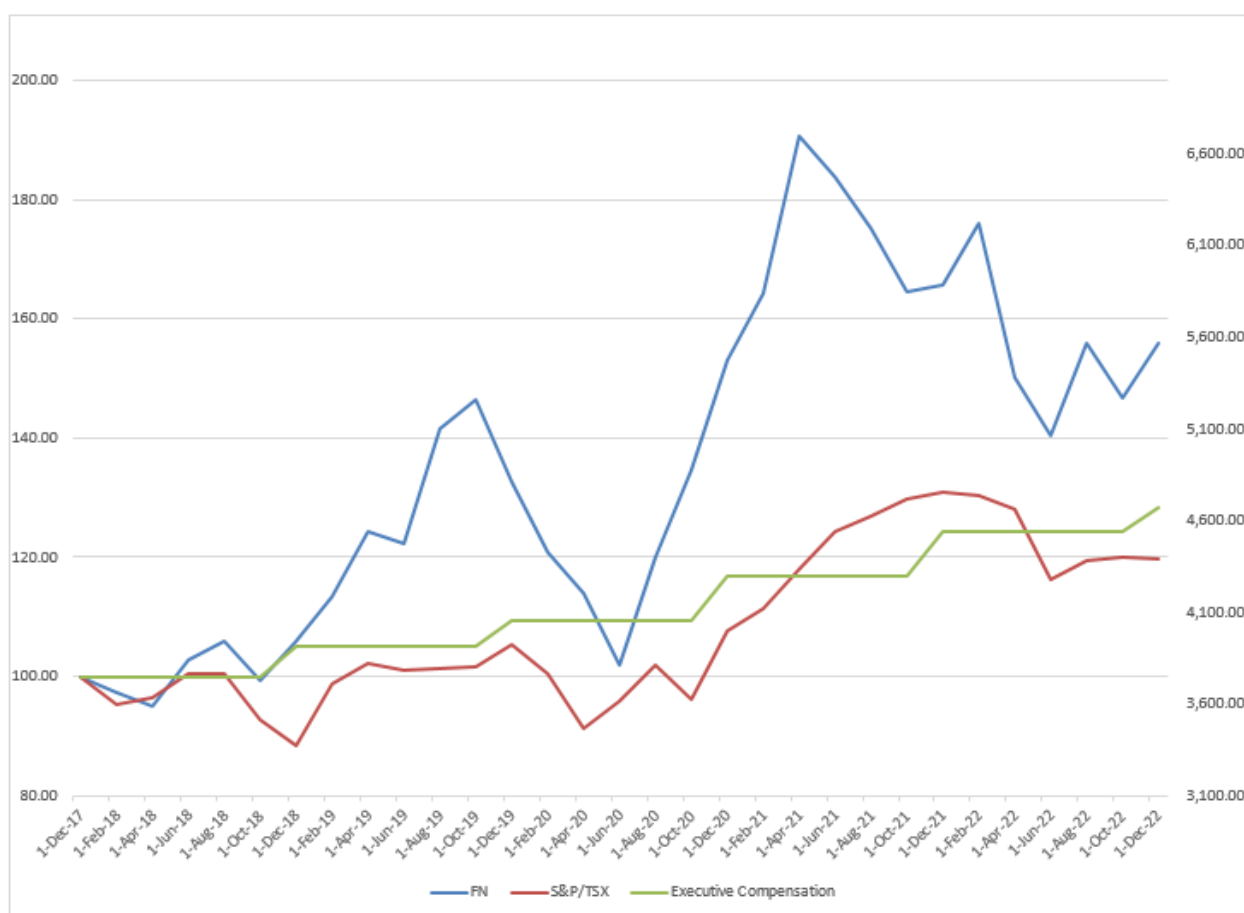
with respect to criminal and administrative actions or proceedings that are enforced by monetary penalty, if the indemnitees had reasonable grounds to believe that his or her conduct was lawful. The indemnification agreements will also provide for the advancement of defence expenses to the indemnitees by the Corporation.

## SHARE PERFORMANCE AND COST OF MANAGEMENT

### Share Performance and Growth of NEO Compensation

The following graph compares the total cumulative return to Shareholders of \$100 invested in Common Shares, with the total cumulative return of the S&P/TSX Composite Index for the period from December 31, 2017 to December 31, 2022, assuming a \$100 investment on December 31, 2017, and reinvestment of distributions and dividends during the period. The graph also compares the above returns to the growth of NEO compensation over the same period.

**2022 Total Return: FN vs S&P/TSX**



## Cost of Management

Cost of Management is a measure used to show how corporate performance compares to compensation awarded to the Named Executive Officers. The Corporation calculates the ratio by dividing total compensation awarded to the Named Executive Officers by Pre-FMV Income for each of the last five years:

- total compensation includes salary and all other compensation as reported in the summary compensation table.

Pre-FMV Income is a measurement of earnings before income taxes that adjusts for losses and gains on financial instruments as reported in the Management's Discussion and Analysis of the Corporation. This non-IFRS measure adjusts income before income taxes by eliminating the impact of changes in fair value of financial instruments (except for those on mortgage investments). This measure is reconciled to the Corporation's income before taxes in the 2022 MD&A.

	Total compensation awarded to NEOs (\$ thousands)	Pre-FMV Income <sup>1</sup> (\$ thousands)	Cost of Management
2022	4,636.6	208,762	2.22%
2021	4,489.8	257,276	1.75%
2020	4,220.2	323,008	1.31%
2019	3,947.2	247,068	1.60%
2018	3,790.9	220,254	1.72%

In 2017 and 2018, mortgage spreads tightened, which reduced earnings. In 2019, mortgage spreads were wider and the Corporation increased placement activity which accelerated the recognition of earnings in comparison to financial results in 2018 and 2017. In 2020, partially as a result of the COVID-19 pandemic, mortgage spreads in the last three quarters of the year were at their widest since 2009. Together with record origination levels, the Corporation recorded the highest Pre-FMV Income in its history. This resulted in this ratio being lower than in the previous three years. In 2021, financial markets recovered from the pandemic. In mid year mortgage spreads returned to pre-pandemic levels as competition for mortgage assets increased. Tighter spreads reduced profitability. Management considers the extent of some of these movements to be market related and therefore outside its control and not indicative of its performance. This is particularly true in 2020 when the Company benefited from a period of historically high mortgage spreads. In 2022, the economic outlook was positive to start and there was a surplus of liquidity for investment in financial assets. However, late in the first quarter, risks associated with inflation became evident as wages and prices increased and companies competed for employees. The Bank of Canada moved quickly and continuously beginning on March 2, 2022, in an attempt to stem inflation and short-term interest rates rose by 400 basis points between March and December 2022. While spreads on new mortgage originations widened somewhat, the Corporation faced the headwinds of a slowing housing market which reduced originations and volumes processed in its third-party underwriting business. Together with a less efficient operating environment, particularly the higher headcount put in place during the pandemic period, it earned comparatively lower Pre-FMV income. Generally, NEO compensation has increased with inflation and growth in the business.

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<sup>1</sup> The figures for the period 2017 through 2019 have been restated to conform to the 2020 presentation.

## **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

To the knowledge of the Corporation, no director, executive officer or employee, and no former trustee, director, executive officer or employee of the Corporation or any of its subsidiaries is currently or was at any time during the financial period ended December 31, 2022, indebted to the Corporation or to any of its subsidiaries and no indebtedness of such persons has been the subject of a guarantee, support agreement, letter of credit or other similar agreement provided by the Corporation or any of its subsidiaries or affiliates.

## **STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

The directors recognize the importance of corporate governance to the effective management of the Corporation and its Shareholders. The Corporation's approach to significant issues of corporate governance is designed with a view to ensuring that the business and affairs of the Corporation are effectively managed in order to enhance Shareholder value.

On June 30, 2005, the Canadian Securities Administrators (“CSA”) implemented National Instrument 58-101 – Disclosure of Corporate Governance Practices (“NI 58-101”) and National Policy 58-201 – Corporate Governance Guidelines (“NP 58-201”). NI 58-101 and NP 58-201 provide for mandated disclosure under NI 58-101 of an issuer’s corporate governance practices, as well as best practices under NP 58-201.

The guidelines for effective corporate governance contained in the CSA rules, together with a brief description of the alignment of the Corporation's practices with respect to such guidelines, are set out in Appendix A to this Management Information Circular.

## **ADDITIONAL INFORMATION**

Additional information relating to the Corporation is available on the System for Electronic Document Analysis and Retrieval as [www.sedar.com](http://www.sedar.com). Shareholders may contact the Corporation to request a copy of the Corporation’s financial statements and accompanying management discussion and analysis by contacting the Corporation’s Investor Relations Department, through email at [rob.inglis@firstnational.ca](mailto:rob.inglis@firstnational.ca), or through the Corporation’s Internet website at [www.firstnational.ca](http://www.firstnational.ca). Financial information is provided in the Corporation’s comparative financial statements and accompanying management discussion and analysis for the fiscal period ended December 31, 2022. Further information regarding the Corporation’s audit committee may be found at Appendix A of the Corporation’s Annual Information Form for the period ended December 31, 2022.

## **DIRECTORS’ APPROVAL**

The contents and sending of this Management Information Circular have been approved by the directors of the Corporation. A copy of this Management Information Circular has been sent to each director of the Corporation, each Shareholder entitled to notice of the Meeting and to the auditors of the Corporation.

**DATED** at Toronto, Ontario this 27<sup>th</sup> day of March, 2023.

**BY ORDER OF THE BOARD OF DIRECTORS**

/s/Stephen Smith

Stephen Smith  
Executive Chairman

## APPENDIX “A”

### CORPORATE GOVERNANCE OF THE CORPORATION

<b>Board of Directors</b>	
<i>Disclose the identity of directors who are independent.</i>	<p>The Board considers each of the following 5 directors to be independent.</p> <p><b>Duncan Jackman</b>, Toronto, Ontario, Chairman, President and CEO of E-L Financial Corporation, Chairman, The Empire Life Insurance Company, Chairman, Algoma Central Corporation, Chairman and President of Economic Investment Trust Limited and United Corporations Limited.</p> <p><b>Robert Mitchell</b>, Vancouver, British Columbia, Executive Chair, Dixon Mitchell Investment Counsel Inc.</p> <p><b>Barbara Palk</b>, Toronto, Ontario, Corporate Director, Crombie Real Estate Investment Trust.</p> <p><b>Robert Pearce</b>, Oakville, Ontario, Director of Canada Guaranty Mortgage Insurance Company, CPI Card Group and Fairstone Bank of Canada.</p> <p><b>Diane Sinhuber</b>, Mississauga, Ontario, Corporate Director, Scarborough Health Network</p> <p><b>Martine Irman</b>, Toronto, Ontario, Corporate Director, TMX Group of Companies, Plan International Canada, St. Michael’s Hospital Foundation</p>
<i>Disclose the identity of directors who are not independent and describe the basis for that determination.</i>	<p>Stephen Smith, Moray Tawse and Jason Ellis are not independent.</p> <p>Stephen Smith, Toronto, Ontario is Executive Chairman of First National Financial Corporation.</p> <p>Moray Tawse, Toronto, Ontario is Executive Vice-President and Secretary of First National Financial Corporation.</p> <p>Jason Ellis, Toronto, Ontario is President and Chief Executive Officer of First National Financial Corporation.</p>
<i>Disclose whether a majority of directors are independent.</i>	<p>A majority of the directors are independent, as the board of directors (the “<b>Board</b>”) has six (6) directors who have been determined to be independent and three (3) directors who are executive officers of First National. Robert Mitchell is the lead independent director.</p>

<p><i>If a director is presently a trustee or director of any other issuer that is a reporting issuer in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.</i></p>	<p><b><u>Duncan Jackman</u></b>  E-L Financial Corporation  The Empire Life Insurance Company  Algoma Central Corporation  Economic Investment Trust Limited  United Corporations Limited  Dream Unlimited Corporation</p> <p><b><u>Barbara Palk</u></b>  Crombie Real Estate Investment Trust</p> <p><b><u>Martine Irman</u></b>  TMX Group of Companies</p> <p><b><u>Stephen Smith</u></b>  E-L Financial Corporation</p>																						
<p><i>Disclose whether the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial period.</i></p>	<p>The independent directors hold meetings, without management or the non-independent directors present, during each of the regularly scheduled Board and Committee meetings.</p> <p>In 2022, the independent directors of First National met at each of the four (4) Board meetings for a specified period of time without non-independent directors and management present.</p>																						
<p><i>Disclose whether the chair of the Board is an independent director. If the Board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities.</i></p>	<p>The Executive Chairman of the Board is Stephen Smith. From 2006 to January 12, 2022, Mr. Smith was Chief Executive Officer of First National. Mr. Smith is not considered an independent director.</p> <p>Robert Mitchell is the lead independent director. The Board has adopted a written mandate for the lead independent director.</p>																						
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<b>Board Mandate</b>									
<i>Disclose the text of the Board's written mandate. If the Board does not have a written mandate, describe how the Board delineates its role and responsibilities.</i>	<p>The Board's Charter provides that the Board's general responsibilities shall include, among other things:</p> <ul style="list-style-type: none"> <li>• Review and approve strategic plans, corporate objectives and business plans including significant capital allocations and expenditures.</li> <li>• Review and approve material transactions not in the ordinary course of business.</li> <li>• Review and approve related party transactions.</li> <li>• Monitor corporate performance against strategic plan and corporate objectives, including receiving periodic reports from senior management and overseeing operating results on a regular basis to evaluate whether the business is meeting its objectives.</li> <li>• Ensure the Corporation has implemented procedures to identify the principal risks of the Corporation's business and operations and receive regular reports from senior management to confirm processes, procedures and practices are in place to manage identified risks.</li> <li>• Ensure the Corporation has implemented policies and procedures to comply with privacy legislation and anti-money laundering and terrorist financing legislation and receive periodic reports from senior management to confirm that these programs are operating effectively.</li> <li>• Review and approve the Corporation's annual and interim financial statements and related management's discussion and analysis, annual information form, management proxy circular, provided the Board may delegate to the Audit Committee the responsibility to review such financial statements and information and make its recommendations to the Board.</li> <li>• Monitor, advise and evaluate the Chief Executive Officer and other members of senior management.</li> <li>• Approve Lead Director annually.</li> <li>• Approve Chair of the Board annually.</li> <li>• Monitor management succession planning.</li> </ul>								

- Oversee the Corporation's development and maintenance of a culture of ethical behaviour and compliance with laws and regulations, auditing and accounting principles, and the Corporation's own governing documents.
- Oversee the Corporation's environmental, social and corporate governance plans and strategies.
- Review and assess the adequacy of this Charter from time to time and where necessary, recommend changes for approval.
- Perform such other functions as are prescribed by law or are assigned to the Board in the Corporation's governing documents.

The Board is also responsible for approving the following:

- Approve the raising of debt or equity capital and other major financial activities.
- Approve all major organizational restructurings.
- Approve material acquisitions and divestitures.
- Approve the nomination of directors.
- Approve major corporate policies, provided the Board may delegate to a Committee the responsibility to review such policies and make its recommendations to the Board.
- Approve and declare dividends.
- Approve the compensation of the Chief Executive Officer.
- Approve the compensation of other members of senior management and review and approve all incentive compensations plans and equity-based compensation plans.

The Charter provides that the directors must act honestly and in good faith with a view to the best interests of the Corporation.

In 2018, the Board participated in a successful executive search to hire a Chief Operating Officer for the Corporation. After both an external and internal search through an executive search consultant, Mr. Jason Ellis (formerly Senior Vice President and Managing Director, Capital Markets) was hired for this position in October 2018.

On November 11, 2019, Mr. Ellis was appointed President of the Corporation and held the positions of President and Chief Operating Officer.

	<p>On January 12, 2022, Mr. Smith resigned as Chief Executive Officer and now holds the position of Executive Chairman of the board (formerly Chair and Chief Executive Officer). Mr. Ellis was appointed as a Director of First National Financial Corporation and as Chief Executive Officer and now holds the positions of Director, President and Chief Executive Officer.</p>
<p><b>Position Descriptions</b></p>	
<p><i>Disclose whether the Board has developed written position descriptions for the chair and the chair of each Board committee. If the Board has not developed written position descriptions for the chair and/or the chair of each Board committee, briefly describe how the Board delineates the role and responsibilities of each such position.</i></p>	<p>The directors have developed specific written position descriptions for the Chair of the Board, Chief Executive Officer and the lead independent director. The Board has adopted a Charter for its Audit Committee, a copy of which is appended to the Corporation's Annual Information Form filed on SEDAR and available on the Corporation's website. The Governance Committee is a committee of the board of directors of First National Financial GP Corporation, which is responsible for the management of First National Financial LP. The Board believes that the charters of the Corporation's Audit Committee and the Governance Committee of First National Financial GP Corporation adequately delineate the roles of the chairs of such committees.</p> <p>Although written position descriptions have not been adopted, other than for the Chair of the Board, Chief Executive Officer and the lead independent director, the Chair of each committee is aware that the role and responsibilities of each such position includes:</p> <ul style="list-style-type: none"> <li>• chairing meetings;</li> <li>• planning and organizing Board/committee activities;</li> <li>• providing leadership to enhance effectiveness;</li> <li>• ensuring responsibilities are well understood by Board/committee members and management, and that the boundaries between Board and management responsibilities are clearly understood and respected;</li> <li>• ensuring that adequate resources are available, including timely and relevant information, to allow the Board/committee to meet its responsibilities; and</li> <li>• reporting to the full Board on decisions or recommendations made by a committee.</li> </ul> <p>The Governance Committee will review annually the Charter of the Board, Charter of the Governance Committee and Mandates of the Chair of the Board, Chief Executive Officer and lead independent director, and will confirm that the Charter of the Audit Committee has been reviewed by the Audit Committee.</p>

<p><i>Disclose whether the Board and Chief Executive Officer have developed a written position description for the Chief Executive Officer. If the Board and the Chief Executive Officer have not developed such a position description, briefly describe how the Board delineates the role and responsibilities of the Chief Executive Officer.</i></p>	<p>The Board has developed a written position description for the Chief Executive Officer. The Board annually reviews the Chief Executive Officer's goals, objectives and compensation for the upcoming year.</p>
<p><b>Orientation and Continuing Education</b></p>	
<p><i>Briefly describe what measures the Board takes to orient new directors regarding i) the role of the Board, its committees and its directors, and ii) the nature and operation of the issuer's business.</i></p>	<p>An orientation and education program is made available for new directors of the Board. This program includes an introductory overview of the Corporation, including all relevant corporate information, committee mandates, policies affecting directors, the role, duties and expectations of directors and other background information.</p>
<p><i>Briefly describe what measures, if any, the Board takes to provide continuing education for its directors. If the Board does not provide continuing education, describe how the Board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.</i></p>	<p>To foster the directors' familiarity with corporate matters on an on-going basis, senior operating management of First National Financial GP Corporation representing the residential origination, commercial origination, capital markets and mortgage administration divisions attend each quarterly Board meeting to report on their respective business unit activities.</p> <p>In addition, the Corporation provided presentations to the Board in 2022 on topics relevant to the Corporation's business activities, including cybersecurity, privacy and anti-money laundering, human resources and the continuing impact of COVID-19 on the business and operations of the Corporation.</p>
<p><b>Ethical Business Conduct</b></p>	
<p><i>Disclose whether the Board has adopted a written code for the directors, officers and employees. If the Board has adopted a written code: disclose how a person or company may obtain a copy of the code; describe how the Board monitors compliance with its code, or if the Board does not monitor compliance, explain whether and how the Board satisfies itself regarding compliance with its code; and provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial period that pertains to any conduct of a director or executive officer that constitutes a departure from the code.</i></p>	<p>The Board has adopted a code of business ethics and conduct (the "<b>Code</b>") that applies to all directors, officers and senior employees of the Corporation and its subsidiaries. The Code provides a framework of guidelines and principles to encourage ethical and professional behaviour in conducting the business of the Corporation.</p> <p>It is the Corporation's policy to seek to ensure that its best interests are paramount in all of its dealings with customers, suppliers, contractors, competitors, existing and potential business partners and other representatives, and are conducted in a manner that avoids actual or potential conflicts of interest. Additionally, directors and officers of the Corporation are required to disclose any potential material conflicts of interest in writing to the directors for review, on a quarterly basis or sooner, if required by applicable law.</p> <p>Copies of the Code are available upon request by contacting the Corporation's Investor Relations Department, through email at <a href="mailto:rob.inglis@firstnational.ca">rob.inglis@firstnational.ca</a>, or through the Corporation's Internet website at <a href="http://www.firstnational.ca">www.firstnational.ca</a>.</p>

<p><i>Describe any steps the Board takes to ensure directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest.</i></p>	<p>Any transactions or agreements in respect of which a director or executive officer has a material interest require approval by the independent directors.</p>
<p><i>Describe any other steps the Board takes to encourage and promote a culture of ethical business conduct.</i></p>	<p>The directors believe that the Corporation's Code promotes a culture of ethical business conduct and honesty.</p>
<p><b>Nomination of Directors</b></p>	
<p><i>Describe the process by which the Board identifies new candidates for Board nomination;</i></p> <p><i>Disclose whether the Board has a nominating committee composed entirely of independent directors. If the Board does not have a nominating committee composed entirely of independent directors, describe what steps the Board takes to encourage an objective nomination process; and</i></p> <p><i>If the Board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.</i></p>	<p>The Governance Committee is comprised entirely of independent directors and is responsible for advising on filling director vacancies if requested and advising on governance matters. If requested, it will also review the composition and effectiveness of the directors and the contribution of individual directors and Board members. For additional information see "Mechanisms of Board Renewal and Representation of Women on the Board and in Executive Officer Appointments" above.</p>
<p><b>Compensation</b></p>	
<p><i>Describe the process by which the Board determines the compensation for the issuer's directors and officers;</i></p> <p><i>Disclose whether the Board has a compensation committee composed entirely of independent directors. If the Board does not have a compensation committee composed entirely of independent directors, describe what steps the Board takes to ensure an objective process for determining such compensation; and</i></p> <p><i>If the Board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.</i></p>	<p>The Board as a whole is responsible for making recommendations concerning the compensation of senior executive officers of First National Financial GP Corporation. The Board does not have a compensation Committee.</p> <p>Messrs. Smith and Tawse do not participate in discussions regarding their own compensation.</p>
<p><i>If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial period, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.</i></p>	<p>In 2022, the Corporation did not retain any consultants to review director or officer compensation.</p>

<b>Other Board Committees</b>	
<i>If the Board has standing committees other than the Audit and Corporate Governance committees, identify the committees and describe their function.</i>	The Corporation does not have any standing committees other than the Audit Committee. The Governance Committee is a committee of the board of directors of First National Financial GP Corporation.
<b>Assessments</b>	
<i>Disclose whether the Board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the Board satisfies itself that the Board, its committees, and its individual directors are performing effectively</i>	The Governance Committee of the Board of Directors of First National Financial GP Corporation is responsible for assessing the effectiveness and contribution of the Board, its committees and individual directors. The Corporation has established an annual assessment program for this purpose.