



**NOTICE OF ANNUAL GENERAL MEETING  
OF SHAREHOLDERS  
TO BE HELD MAY 11, 2016  
AND  
MANAGEMENT INFORMATION CIRCULAR**

**March 11, 2016**



200 King Street West  
Suite 600  
Toronto, ON  
M5H 3T4  
[www.mcanmortgage.com](http://www.mcanmortgage.com)

March 11, 2016

Dear Shareholders:

We invite you to attend MCAN's Annual General Meeting of Shareholders which will be held at St. Andrew's Club & Conference Centre, 150 King Street West, 27<sup>th</sup> Floor, Toronto, Ontario, on Wednesday, May 11, 2016, at 4:30 p.m. (Toronto time).

At the meeting, you will have the opportunity to hear about MCAN's performance in 2015 and our plans going forward. You will also be able to meet and ask questions of our directors and senior management.

The attached Notice of Annual General Meeting and Management Information Circular describe the business to be conducted at the meeting and provide information on executive compensation and MCAN's governance.

Your vote is important. If you are unable to attend the meeting in person, we encourage you to vote by using the enclosed proxy or voting instruction form. You are encouraged to read the attached Management Information Circular and then vote as soon as possible.

We look forward to your participation.

Yours truly,

A handwritten signature in black ink, appearing to read "Ian Sutherland".

Ian Sutherland  
Chair of the Board

A handwritten signature in black ink, appearing to read "William Jandrisits".

William Jandrisits  
President & Chief Executive Officer

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# MCAN MORTGAGE CORPORATION

## Notice of Annual General Meeting of Shareholders

The Annual General Meeting of Shareholders of MCAN Mortgage Corporation (the “**Meeting**”) will be held

on **Wednesday, May 11, 2016,**

at **4:30 p.m. (Toronto time),**

at **St. Andrew’s Club and Conference Centre  
150 King Street West  
27<sup>th</sup> Floor  
Toronto, Ontario,**

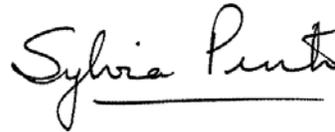
for the following purposes:

1. to receive the annual financial statements for the fiscal year ended December 31, 2015 and the auditors’ report thereon;
2. to elect the board of directors;
3. to appoint the auditors; and
4. to consider such other business as may properly be brought before the Meeting or at any adjournment thereof.

Our Management Information Circular (the “**Circular**”) provides additional information on the matters to be dealt with at the Meeting and forms part of this notice.

Shareholders who cannot attend the Meeting in person may vote by proxy. Instructions on how to complete and return the form of proxy enclosed herewith are set out in the Circular. To be valid, a proxy must be received by our transfer agent, Computershare Trust Company of Canada, at 100 University Avenue, 8<sup>th</sup> Floor, Toronto, Ontario M5J 2Y1 in the postage prepaid envelope provided, or by fax at 1-866-249-7775 or (416) 263-9524, no later than 5:00 p.m. (Toronto time) on Monday, May 9, 2016, or at least 48 hours (excluding Saturdays, Sundays and holidays) prior to the commencement of any adjournment of the Meeting.

By Order of the Board of Directors



Sylvia Pinto  
Corporate Secretary

March 11, 2016

**MANAGEMENT INFORMATION CIRCULAR**  
**(“Circular”)**

**GENERAL INFORMATION**

This Circular is provided in connection with the solicitation of proxies by management of MCAN Mortgage Corporation (“we”, “MCAN”, or the “Corporation”) for use at the Annual General Meeting of Shareholders of MCAN (the “Meeting”) to be held at 4:30 p.m. (Toronto time) on May 11, 2016, or at any adjournment thereof, for the purposes set out in the attached Notice of Meeting (the “Notice”). It is expected that the solicitation will primarily be by mail. Proxies may also be solicited personally or by telephone by management. MCAN will pay the costs of solicitation. This Circular sets forth information regarding the items of business proposed to be transacted at the Meeting which a shareholder should read carefully before making a decision with respect to voting on such items of business.

**Date of Information**

All information contained herein is as at March 11, 2016, unless otherwise noted.

**Common Shares Outstanding**

As at the close of business on March 11, 2016, there were 22,862,723 common shares of MCAN (“**Common Shares**”) outstanding and these Common Shares are the only voting securities of the Corporation. Except with respect to the election of directors for which cumulative voting shall apply, each Common Share entitles the holder thereof to one vote on each matter to be considered at the Meeting. MCAN’s Common Shares trade under the symbol “MKP” on the Toronto Stock Exchange (“**TSX**”).

**Owners of more than 9% of the Common Shares**

To the knowledge of the directors and executive officers of MCAN, as at March 11, 2016, the only persons or companies who beneficially own, directly or indirectly, or exercise control or direction over more than 9% of the issued and outstanding Common Shares are the following:

Name	Common Shares	Approximate Percentage of Common Shares
Ian Sutherland	3,331,673	14.57%
KingSett Canadian Real Estate Income Fund LP (“ <b>KingSett</b> ”)	2,276,243	9.96%

**Mailing of Circular**

The mailing of the accompanying Notice, this Circular, the enclosed form of proxy and the 2015 Annual Report (which includes management’s discussion and analysis and consolidated financial statements for the fiscal year ended December 31, 2015) (collectively, the “**meeting materials**”) to registered shareholders and non-objecting beneficial owners will be completed by MCAN on or about April 8, 2016. In accordance with the requirements of National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer*, the meeting materials are being mailed to all registered shareholders except those who have asked not to receive them and to those beneficial shareholders who requested them (to the depository and intermediaries for onward distribution to such beneficial shareholders). MCAN intends to pay for intermediaries to deliver the meeting materials to the objecting beneficial shareholders.

## VOTING INFORMATION

### Matters to be voted on

At this year's Meeting, shareholders are voting on:

- the election of the board of directors (the "**Board**"); and
- the appointment of the auditors.

Directors will be elected by cumulative voting as described on page 4. A simple majority (more than 50%) of the votes cast at the Meeting, in person or by proxy, is required to appoint the auditors.

### Who can vote

You are entitled to vote if you are a holder of Common Shares as of the close of business on March 28, 2016, the record date for the Meeting.

### How to vote

**Registered Shareholders** – Registered shareholders hold Common Shares that are registered directly in their name. If you are a registered shareholder, you may vote in person at the Meeting or give another person authority to vote for you at the Meeting by appointing a proxyholder, as set out below under the headings "Voting by proxy" and "Appointing a proxyholder".

**Non-Registered Shareholders** – Non-registered shareholders own Common Shares but such shares are registered in the name of an intermediary, such as a bank, broker or trust company. Non-registered shareholders should note that only registered shareholders or the persons they appoint as their proxies are recognized and permitted to act and vote at the Meeting. If you are a non-registered shareholder, you may vote your Common Shares through your intermediary or in person at the Meeting by following the instructions below. To vote your Common Shares through your intermediary, you should follow the instructions on the voting instruction form or proxy form provided by your intermediary.

To vote your Common Shares in person at the Meeting (or have another person attend the Meeting and vote on your behalf), you should take the following steps:

1. if you received a proxy form from your intermediary, you should appoint yourself (or such other person) as proxyholder by writing your name (or the name of such other person) in the space provided;
2. if you received a voting instruction form from your nominee, you should follow the corresponding instructions on the form; and
3. return the voting instruction form, or if applicable the proxy form, to the intermediary in the envelope provided.

If you voted through your intermediary and would now like to vote in person, contact your intermediary to discuss whether this is possible and what procedures you need to follow.

### Voting by proxy

If you will not be at the Meeting, you may still vote by using the proxy form. To be effective for use at the Meeting or any adjournment thereof, please complete, sign, date and return the proxy form to our transfer agent, Computershare Trust Company of Canada ("**Computershare**"), either in the envelope provided or fax it to 1-866-249-7775 or (416) 263-9524 so that it arrives by 5:00 p.m. (Toronto time) on Monday, May 9, 2016, or at least 48 hours (excluding Saturdays, Sundays and holidays) prior to the commencement of any adjournment of the Meeting.

## Appointing a proxyholder

A proxyholder is the person you appoint to represent you at the Meeting and vote your Common Shares. **You may choose anyone to be your proxyholder and the person you choose does not have to be a shareholder of MCAN.** Simply insert the person's name in the blank space provided on the proxy form. You should be sure that this person is attending the Meeting and is aware that he, she or it has been appointed to vote your Common Shares. **If you do not insert a name in the blank space, then the persons named on the proxy form, Ian Sutherland and Susan Doré, both of whom are directors of MCAN, are appointed to act as your proxyholder.**

Your proxyholder is authorized to vote and act for you at the Meeting, including any continuation after an adjournment of the Meeting. On the proxy form you can indicate how you want your proxyholder to vote your Common Shares or you can let your proxyholder decide for you.

## Voting discretion of proxyholder

If you give instructions on how to vote your Common Shares, your proxyholder must follow them. If your proxy form does not specify how to vote on a particular matter, then your proxyholder can vote your Common Shares as he, she or it sees fit. The Common Shares represented by your proxy form will be voted or withheld from voting, or voted for or against, as appropriate, on any ballot that may be called for in accordance with your instructions. **If you or your proxyholder does not give specific instructions, your Common Shares will be voted as follows:**

1. **FOR** the election as directors of all nominees listed in this Circular; and
2. **FOR** the appointment of Ernst & Young LLP as auditors.

Your proxyholder also has discretionary authority for amendments that are made to matters identified in the Notice of Meeting or other matters that properly come before the Meeting. As of the date of this Circular, MCAN's management does not know of any matter to come before the Meeting other than the matters referred to in the Notice of Meeting.

## Cumulative Voting

Pursuant to MCAN's by-laws and the *Trust and Loan Companies Act* (Canada) (the "**Act**"), directors of MCAN are to be elected through cumulative voting in certain circumstances. Under the cumulative voting system, each shareholder has the right to cast a number of votes equal to the number of votes attached to the Common Shares held by the shareholder multiplied by nine, being the number of directors to be elected at the Meeting. The shareholder may cast all such votes in favour of one nominee or distribute them among the nominees in any manner. For example, a shareholder owning 100 Common Shares could cast 900 votes in favour of one nominee or distribute the 900 votes equally in favour of all nominees or distribute the votes in any other manner among the nominees, as long as the total number of votes cast for the nominees does not exceed 900.

If a shareholder votes for more than one nominee without specifying the distribution of the votes among the nominees, the votes will be distributed equally among the candidates voted for by that shareholder. If a shareholder wishes to distribute votes other than equally among the nominees, the shareholder may do so by using the form of proxy provided with this Circular or by attending the Meeting in person. **Shareholders are advised to read this section carefully, as proxies purporting to allocate more votes than a shareholder is entitled to, or otherwise completed in error, will be void.**

The form of proxy enclosed with this Circular offers shareholders three options with respect to the election of directors. **Shareholders may select only one option.** Shareholders may:

1. vote for the election of all the nominees proposed in this Circular;
2. vote for one or more of the nominees proposed in this Circular by indicating beside each nominee's name the number of votes which the shareholder wishes to allocate to that nominee; or
3. withhold from voting for the election of directors.

**Revoking your proxy**

If you are a registered shareholder and change your mind and wish to revoke your proxy, you may do so by signing a written statement outlining your instructions to revoke your previously submitted proxy (or authorizing your attorney in writing to sign a written statement to this effect) and delivering it to the Corporate Secretary at the head office of MCAN, 200 King Street West, Suite 600, Toronto, Ontario M5H 3T4, any time before 5:00 p.m. (Toronto time) on May 10, 2016, being the last business day immediately preceding the Meeting, or by depositing it with the Chair of the Meeting on May 11, 2016, prior to commencement of voting at the Meeting. Beneficial shareholders should contact their intermediaries to discuss whether revocation is possible and, if so, for the procedures to be followed.

**Confidentiality**

Proxies returned to Computershare are counted and tabulated independently of MCAN to preserve the confidentiality of individual shareholder votes. Computershare does not inform MCAN's management about how individual shareholders have voted except where comments made by shareholders are intended for the attention of management or where required by law.

## BUSINESS OF THE MEETING

### Financial Statements

The consolidated financial statements of the Corporation for the year ended December 31, 2015, and the auditors' report thereon are included in the 2015 Annual Report which will be mailed on or about April 8, 2016, to all of MCAN's registered shareholders, except those who asked not to receive it, and to those beneficial shareholders who have requested it.

### Election of Directors

The election of MCAN's directors will take place, as required by the Corporation's by-laws and the Act, by cumulative voting. Usually, shareholders of a public company are entitled to one vote per common share on all matters and a simple majority of the votes cast determines whether nominees are elected to the board of directors. However, the Act requires cumulative voting for the election of directors where more than 10% of the voting shares of a company governed by the Act are beneficially owned, directly or indirectly, by a shareholder. In addition, our by-laws provide for cumulative voting for the election of directors where a shareholder beneficially owns, directly or indirectly, more than 9% of MCAN's voting shares. MCAN currently has two such shareholders, as set out on page 2 under the heading "Owners of more than 9% of the Common Shares" and, therefore, the election of MCAN's directors is currently required to be completed by cumulative voting. The process of cumulative voting is described on page 4. **Shareholders are urged to read that section carefully, as proxies purporting to allocate more votes than a shareholder is entitled to, or otherwise completed in error, will be void.**

Cumulative voting is intended to facilitate minority Board representation. It will almost certainly allow any shareholder or group of shareholders holding in excess of 9% of the issued and outstanding Common Shares, including the shareholders set out above under "Owners of more than 9% of the Common Shares" to elect one director to a nine person Board.

If there are no nominees other than the nine individuals proposed in this Circular, the shareholders present and entitled to vote will be asked to approve a resolution permitting a single vote to be held for all nine nominees. The resolution will require unanimous approval. If there are additional nominees, pursuant to MCAN's advance notice provisions for the nomination of directors, there will be a separate vote for each nominee. If the number of nominees exceeds the number of director positions to be filled, the nominees receiving the lowest number of votes will be eliminated and the nominees having the most votes will be elected as directors.

**The management representatives named in the enclosed form of proxy intend to cast the votes to which the Common Shares represented by the proxy are entitled equally among the proposed nominees whose names are set forth on page 9, unless the shareholder who has given such proxy has directed that the Common Shares be otherwise voted or withheld from voting in respect of the election of directors.**

Each director elected at the Meeting will thereafter hold office until the close of the next annual meeting of shareholders following the election of the directors unless the director's office is earlier vacated in accordance with the Corporation's by-laws and the Act. All of the nine nominees listed on page 9 are currently directors of the Corporation, have been directors since the dates indicated and have held their present occupations for more than five years, except as noted. **Management does not contemplate that any nominee will be unable to serve as a director, but if this should occur for any reason prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee at their discretion unless specifically instructed on the proxy form that the Common Shares are to be withheld from voting in respect of the election of directors.**

### *Majority Voting for the Election of Directors*

MCAN has adopted a majority voting policy for the election of directors. Any nominee in an uncontested election who receives more withheld votes than votes in his or her favour shall be considered to not have received the support of shareholders. Such nominee is required to promptly tender his or her resignation to the Board.

Following any meeting of the Corporation's shareholders in which directors are to be elected, the Corporation will forthwith issue a news release disclosing the detailed results of the vote for the election of directors.

If a resignation is submitted pursuant to the majority voting policy, the Conduct Review, Corporate Governance & Human Resources Committee (the “**CRCG&HR Committee**”) shall consider whether or not to accept the offer of resignation and shall recommend to the Board whether or not to accept it. MCAN will disclose publicly the Board’s determination on a timely basis. The CRCG&HR Committee and the Board will consider any factor or other information they consider appropriate and relevant in the determination as to whether to accept the resignation, or delay the acceptance of the resignation, recognizing that rejecting the resignation will only occur in exceptional circumstances. Such factors shall include, without limitation, the underlying reasons why shareholders withheld their votes, if ascertainable; alternatives for curing the underlying cause of the withheld votes; the director’s qualifications and anticipated contribution to MCAN and the Board, including service on committees and leadership positions thereon; the overall composition of the Board and whether MCAN would no longer be in compliance with applicable laws, rules, regulations or proper governance requirements; and whether accepting the resignation is in the best interest of MCAN and its shareholders.

If a resignation is accepted, the Board will, in accordance with applicable law, fill the vacancy through the appointment of a new director, or call a special meeting of shareholders at which a director nominee will be proposed for election by shareholders.

Any director who tenders his or her resignation pursuant to this majority voting policy will not be permitted to participate in any meeting of the Board or committee, if he or she is a member of the Board or committee, as applicable, at which his or her resignation is considered. However, if a sufficient number of members of the CRCG&HR Committee receive a greater number of votes withheld than the votes for each member in the same election, such that there is no quorum, then the remaining members of the committee, if any, shall not consider the resignation offer(s) and the Board will consider whether or not to accept the offer(s) of resignation without a recommendation from the CRCG&HR Committee.

In the event that a sufficient number of the Board members receive a greater number of votes withheld than the votes for such members in the same election, such that the Board no longer has a quorum, then such directors receiving a majority withheld vote shall not be permitted to vote in any meeting of the Board at which his or her resignation offer is considered. However, he or she will be counted for the purpose of determining whether the Board has quorum.

#### ***Advance Notice for Nomination of Directors***

On February 20, 2015, the Board approved certain amendments to By-Law No. Seven including the adoption of advance notice provisions (the “Advance Notice Provisions”) in circumstances where director nominations are made by shareholders of the Corporation, other than in connection with a requisitioned shareholders’ meeting or a shareholder proposal in accordance with the Act. The Advance Notice Provisions fix a deadline by which shareholders must submit director nominations to the Corporation in writing prior to any annual or special meeting of shareholders where directors are to be elected and sets forth the specific information that a nominating shareholder must include in such notice for an effective nomination to occur.

Pursuant to the Advance Notice Provisions, in the case of an annual meeting of shareholders, notice to the Corporation must be made not less than 30 days prior to the date of that meeting; provided, however, that if the first public announcement of the date of the annual meeting is less than 50 days prior to the meeting date, notice may be made not later than the 10<sup>th</sup> day following such public announcement. In the case of a special meeting of shareholders (which is not also an annual meeting) called for any purpose which includes the election of directors, notice to the Corporation must be made not later than the 15<sup>th</sup> day following the day on which the first public announcement of the date of the special meeting was made.

#### **Appointment of Auditors**

The directors recommend that shareholders appoint Ernst & Young LLP (“E&Y”) as independent auditors of MCAN until the close of the next annual meeting of shareholders. **Unless instructed otherwise, the management representatives named in the enclosed proxy form intend to vote for the appointment of E&Y as auditors of MCAN until the close of the next annual meeting of shareholders where auditors are appointed.** E&Y has served as auditors of MCAN since being appointed in November 1991.

Fees paid to E&Y for the past two years are set out below:

	<b>2015</b> <b>(\$)</b>	<b>2014</b> <b>(\$)</b>
Audit Fees	456,000	421,390
Audit-Related Fees <sup>(1)</sup>	56,000	96,294
Tax Fees <sup>(2)</sup>	38,800	30,170
All Other Fees <sup>(3)</sup>	0	44,282
<b>Total Fees</b>	<b>550,800</b>	<b>592,136</b>

Notes:

- (1) Audit-Related Fees include Autorité des marchés financiers and Canada Mortgage and Housing Corporation compliance.
- (2) Tax Fees include tax planning, review of tax returns and tax advice.
- (3) Other Fees include accounting consultation services.

### **Other Business**

Management does not intend to present any other business at the Meeting. As at the date of this Circular, management of MCAN is not aware of any amendments or variations to the proposed matters or of any other matters that may be presented for action at the Meeting. If amendments or variations to the proposed matters or other matters requiring the vote of shareholders are properly brought before the Meeting, the management representatives named in the enclosed proxy form will vote on such matters in accordance with their best judgement.

## NOMINEES FOR ELECTION TO BOARD OF DIRECTORS

MCAN's Board currently consists of the following nine directors (3 of 9 or 33% of whom are women directors): Scott G. Coates, Brydon D. Cruise, Verna E. Cuthbert, Susan M. Doré, William J. Jandrisits, Brian A. Johnson, Ian Sutherland, Karen H. Weaver and W. Terrence Wright.

### Nominee Information

The following table sets forth for each proposed nominee for election as a director that nominee's name, city, province and country of residence, his or her principal occupation, the date the nominee first became a director of MCAN, and the number of Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised by the nominee:

Name and Municipality of Residence	Director Since	Principal Occupation	Common Shares Owned and/or Controlled <sup>(1)</sup>
<b>SCOTT G. COATES</b> Burlington, Ontario, Canada	May 7, 2014	Managing Director, Mortgage Investments KingSett Capital Inc. (real estate)	Nil <sup>(2)</sup>
<b>BRYDON D. CRUISE</b> Oakville, Ontario, Canada	May 11, 2010	President & Managing Partner Brookfield Financial (real estate)	439,765
<b>VERNA E. CUTHBERT</b> Westmount, Québec, Canada	September 26, 2013	Counsel Fasken Martineau DuMoulin LLP (legal)	5,227
<b>SUSAN M. DORÉ</b> Toronto, Ontario, Canada	May 11, 2010	Corporate Director	1,490,132
<b>WILLIAM J. JANDRISITS</b> Richmond Hill, Ontario, Canada	August 4, 2010	President and CEO MCAN Mortgage Corporation	74,501
<b>BRIAN A. JOHNSON</b> Toronto, Ontario, Canada	January 10, 2001	Partner, Crown Realty Partners (real estate)	133,213
<b>IAN SUTHERLAND</b> Oro-Medonte, Ontario, Canada	January 11, 1991	Chair MCAN Mortgage Corporation	3,331,673
<b>KAREN H. WEAVER</b> Collingwood, Ontario, Canada	November 11, 2011	Executive Vice President & Chief Financial Officer DH Corporation (financial technologies) <sup>(3)</sup>	6,124
<b>W. TERRENCE WRIGHT</b> Winnipeg, Manitoba, Canada	September 26, 2013	Counsel Pitblado LLP (legal)	5,515

Notes:

- (1) The information as to Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised has been furnished by the respective nominees and such nominees' associates or affiliates.
- (2) Mr. Coates is an officer of KingSett which holds a 9.96% interest in the Corporation.
- (3) Since September 2014. Prior to September 2014, Ms. Weaver was Executive Vice President & CFO of First Capital Realty Inc. (real estate).

## Independence and Board Committees

Director independence is determined by the Board. A director is considered independent only when the Board determines that the director has no direct or indirect material relationship with MCAN. A “material relationship” is a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of a director’s independent judgement. In determining whether a director is independent, the Board applies standards derived from the Canadian Securities Administrators’ (“CSA”) corporate governance guidelines, namely National Instrument 58-101 – *Disclosure of Corporate Governance Practices*, National Instrument 52-110 – *Audit Committees* (“NI 52-110”), and MCAN’s Director Independence Policy.

The Board determines the independence of a director when the Board approves director nominees for inclusion in this Circular and as circumstances require (e.g., prior to the appointment of a new director between annual meetings). Based on this determination, the Board concluded that seven of the nine (78%) nominees proposed for election as directors have no material relationship with MCAN and are therefore independent. The result of the Board’s determination for each nominee director and the current committee memberships is set out below.

<b>COMMITTEES</b> (Number of Members)				
	<b>Audit Committee<sup>(1)</sup></b> (4)	<b>CRCG&amp;HR Committee<sup>(1)</sup></b> (4)	<b>Risk Committee</b> (4)	<b>ERM Ad Hoc Committee<sup>(2)</sup></b> (4)
<b>Independent Outside Directors</b>				
Scott G. Coates	✓		✓	
Brydon D. Cruise			Chair	
Verna E. Cuthbert		✓	✓	
Susan M. Doré	✓	✓		
Brian A. Johnson		Chair	✓	✓
Karen H. Weaver	Chair			
W. Terrence Wright	✓	✓		Chair
<b>Outside Directors – Not Independent</b>				
Ian Sutherland <sup>(3)</sup>				✓
<b>Management Director – Not Independent</b>				
William J. Jandrisits <sup>(4)</sup>				✓

Notes:

- (1) All members of the Audit Committee and CRCG&HR Committee are considered independent under National Policy 58-201 – *Corporate Governance Guidelines* (“NP 58-201”) and MCAN’s Director Independence Policy. All members of the Audit Committee are considered independent under NI 52-110 and MCAN’s Director Independence Policy.
- (2) The Board, at its discretion, determines the number of independent and affiliated members of the Enterprise Risk Management (“ERM”) Ad Hoc Committee.
- (3) Mr. Sutherland, the Chair of the Board, is not independent of MCAN on the basis that his son is Vice President and Chief Risk Officer of MCAN. Pursuant to the *Affiliated Persons Regulations* promulgated under the Act, the Board has determined that Mr. Sutherland is an affiliated person of MCAN, due to the fact that he, directly or indirectly, controls or directs more than 10% of MCAN’s outstanding Common Shares.
- (4) Mr. Jandrisits is not independent and is an affiliated person of MCAN as he is MCAN’s President and CEO.

### Other Public Company Directorships

Listed below are the MCAN directors who currently serve on the boards of directors or trustees of other public companies:

Director	Other Public Company Directorships
Brian A. Johnson	Trustee – Crombie Real Estate Investment Trust

### Board and Committee Meetings Held and Attendance

The table below sets out Board and committee meeting attendance for MCAN's directors during 2015. All of the nine nominees for election as director attended the 2015 annual and special meeting of shareholders. Directors have a standing invitation to attend all committee meetings, regardless of membership. All of the directors attended the strategic planning meetings held in September and November 2015.

#### Meetings Attended of Meetings Held

Director	Board	Audit Committee	CRCG&HR Committee	Risk Committee	ERM Ad Hoc Committee
Scott G. Coates	9 of 10	5 of 7		5 of 5	
Brydon D. Cruise	10 of 10			5 of 5	
Verna E. Cuthbert	10 of 10		6 of 6	5 of 5	
Susan M. Doré	10 of 10	7 of 7	6 of 6		
William J. Jandrisits	10 of 10				5 of 5
Brian A. Johnson	10 of 10		6 of 6	5 of 5	5 of 5
Ian Sutherland	10 of 10				5 of 5
Karen H. Weaver	10 of 10	7 of 7			
W. Terrence Wright	9 of 10	7 of 7	6 of 6		5 of 5

### Meetings of Independent Directors

The independent directors are scheduled to meet without the non-independent directors each quarter after the Corporation's quarterly Board meetings. The Lead Director chairs these meetings. There were four meetings of the independent directors during the financial year ended December 31, 2015.

## **Additional Disclosure Relating to Proposed Directors**

To the knowledge of management of MCAN, no proposed director of MCAN is, as at the date of this Circular, or has been within 10 years before the date of this Circular, a director, chief executive officer or chief financial officer of any company (including MCAN) that, (i) was subject to an order that was issued while that person was acting in that capacity, or (ii) was subject to an order that was issued after that person ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in that capacity.

For the purposes of the above paragraph, “order” means (i) a cease trade order; (ii) an order similar to a cease trade order; or (iii) an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days.

To the knowledge of management of MCAN, no proposed director of MCAN (i) is, as at the date of this Circular, or has been within 10 years before the date of this Circular, a director or executive officer of any company (including MCAN) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or (ii) has, within 10 years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such proposed director, other than Mr. Johnson who (A) was, until March 26, 2010, a director of Big Sky Farms Inc., a private Saskatchewan company which sought and obtained an order on November 10, 2009 under the *Companies’ Creditors Arrangement Act* (Canada), and (B) was a director of Stegg USA Inc., a private company which filed a voluntary petition under Chapter 7 of the United States Bankruptcy Code within one year of Mr. Johnson’s resignation from the board of directors on September 26, 2008.

To the knowledge of management of MCAN, no proposed director of MCAN has been subject to (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

## **Compensation of Directors**

The CRCG&HR Committee reviews director compensation annually and recommends any compensation changes to the Board for approval when considered appropriate or necessary to recognize the workload, time commitment and responsibility of the Board and committee members. In doing so, comparative data of other public companies is used. For 2015, the companies used in the comparison included Home Capital Group Inc., Firm Capital Mortgage Investment Corporation, Equitable Group Inc., First National Financial Corporation and Equity Financial. Based on the recommendation of the CRCG&HR Committee in October 2015, the compensation structure was amended, effective January 1, 2016, as follows:

Director Retainer (per year)	\$30,000
Committee Chair Retainer (per year) (other than ERM Ad Hoc Committee Chair)	20,000
ERM Ad Hoc Committee Chair Retainer (per year)	10,000
Lead Director Retainer (per year)	10,000
Board Meeting Fee (per meeting)	1,500
Committee Meeting Fee (per meeting)	1,500
Telephone Meeting Fee (per meeting)	750

For fiscal 2015, each director who was not employed by MCAN or any of its subsidiaries was entitled to receive remuneration, paid in the form of cash only, for each meeting attended of the Board or any committee thereof of which such director is a member, together with an annual retainer. The Chair of the Board is entitled to an annual retainer of \$100,000 and does not receive any other fees. Directors are reimbursed for their out-of-pocket expenses incurred in attending meetings and otherwise carrying out their duties as directors. Pursuant to the by-laws of MCAN that were in effect for fiscal 2015, the aggregate amount of remuneration which may be paid by MCAN to its directors (for their services as directors) cannot exceed \$800,000 in any year. Any future increases to this total amount will require shareholder approval. In 2015, the total fees paid by MCAN to its directors were \$525,250. MCAN does not offer its non-employee directors any equity compensation.

See “Compensation of Directors” on page 28 for further details.

### **Directors’ and Officers’ Liability Insurance**

MCAN maintains a directors’ and officers’ liability insurance policy for the benefit of its directors and officers. The policy has an aggregate insurance limit of \$10 million with a \$50,000 deductible for certain types of claims. The cost of coverage for 2015 was \$55,000.

## **COMMITTEES**

### **Audit Committee**

The Audit Committee’s primary purpose is to assist the Board in fulfilling its oversight responsibilities with respect to (i) the quality and integrity of financial information, (ii) the effectiveness of MCAN’s internal control over financial reporting, (iii) the meeting of MCAN’s reporting issuer obligations, (iv) the independent auditor’s performance, qualifications and independence, (iv) the performance of the internal audit function, (v) MCAN’s compliance with legal and regulatory requirements, and (vi) governance of MCAN’s information technology architecture, systems, processes and initiatives. At March 11, 2016, the Audit Committee was comprised of Karen H. Weaver (Chair), Scott G. Coates, Susan M. Doré and W. Terrence Wright.

All four members of the Audit Committee are, for the purposes of NI 52-110, considered to be independent directors, financially literate and are experienced in the area of financial reporting. The Audit Committee meets with the Corporation’s internal and external auditors and management as required and may engage independent counsel and other advisors as it deems appropriate in the course of carrying out its duties.

Additional information about the Audit Committee and the Audit Committee’s role and responsibilities can be found in MCAN’s Annual Information Form (“AIF”) dated February 26, 2016. The AIF is available on our website at [www.mcanmortgage.com](http://www.mcanmortgage.com) and is filed on the System for Electronic Document Analysis and Retrieval (“SEDAR”) at [www.sedar.com](http://www.sedar.com).

### **CRCG&HR Committee**

The CRCG&HR Committee’s primary purpose is to assist the Board in its oversight role with respect to (i) conflicts of interest, confidential information, complaints of customers and transactions involving related parties, (ii) the development of MCAN’s corporate governance policies, practices and processes, (iii) the identification of qualified candidates and recommending nominees for director appointments, (iv) the effectiveness of the Board, its committees, the chairs of those committees and the contributions of individual directors, and (v) management succession, development and compensation. The CRCG&HR Committee’s role and responsibilities are outlined in Schedule A to this Circular.

The CRCG&HR Committee carries out the responsibilities of the Board in respect of compensation matters and makes recommendations to the Board as appropriate. In particular, the CRCG&HR Committee is responsible for making recommendations to the Board relating to the:

- compensation of the Corporation’s Named Executive Officers (together, the “NEOs” and each, a “NEO”);
- annual return target to be used for the annual variable compensation;
- annual non-financial strategic objectives to be used for the Corporation’s NEOs;
- annual objectives of the Corporation’s Chief Executive Officer;
- performance of the Chief Executive Officer;
- administration of the Corporation’s equity and non-equity incentive plans; and
- review and recommendation of director compensation.

The CRCG&HR Committee is further discussed below under the heading “Compensation Governance”.

### **Risk Committee**

The Risk Committee’s primary purpose is to assist the Board in its oversight role with respect to (i) reviewing and recommending Board approval of MCAN’s overall risk appetite framework, risk appetite statement and risk tolerance limits, (ii) identifying MCAN’s key business risks, (iii) reviewing and recommending MCAN’s risk policies, (iv) ensuring the effectiveness of MCAN’s risk management practices, (v) reviewing and recommending Board approval of MCAN’s Residential Mortgage Underwriting Policy, Construction Loan Underwriting Policy, Commercial Term Mortgage Underwriting Policy, and Investment Policy (vi) ensuring the effectiveness of MCAN’s investment practices, and (vii) approving exceptions and/or specific transactions required by MCAN’s underwriting policies outlined in item (v) above. The Risk Committee also appoints a capital commitments committee and an asset/liability committee, and delegates authority as deemed appropriate to implement and manage MCAN’s investment policies and procedures. The Risk Committee’s role and responsibilities are outlined in Schedule B to this Circular.

At March 11, 2016, the Risk Committee was comprised of Brydon D. Cruise (Chair), Scott G. Coates, Verna E. Cuthbert and Brian A. Johnson.

### **ERM Ad Hoc Committee**

The ERM Ad Hoc Committee’s primary purpose is to (i) oversee the progress of any risk management initiatives, (ii) oversee the progress of the Internal Capital Adequacy Assessment Process, and (iii) provide support and guidance where necessary to management. The ERM Ad Hoc Committee’s role and responsibilities are outlined in Schedule C to this Circular.

At March 11, 2016, the ERM Ad Hoc Committee was comprised of William J. Jandrisits, Brian A. Johnson, Ian Sutherland and W. Terrence Wright (Chair).

## STATEMENT OF EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

The following Compensation Discussion and Analysis (“CD&A”) is intended to provide MCAN’s shareholders with a description of the processes and decisions involved in the design, oversight and payout of our compensation programs for the NEOs for the fiscal year ended December 31, 2015. Although the CD&A focuses on the compensation policies and practices for NEOs, these programs generally apply to MCAN’s entire executive team.

The NEOs during fiscal 2015 were as follows:

- William Jandrisits, President and Chief Executive Officer (“CEO”)
- Jeffrey Bouganim, Vice President and Chief Financial Officer (“CFO”)
- Michael Misener, Vice President and Chief Investment Officer (“CIO”)
- Derek Sutherland, Vice President and Chief Risk Officer (“CRO”)
- Carl Brown, Vice President, Operations

### Compensation Governance

The CRCG&HR Committee assists the Board in establishing MCAN’s compensation philosophy and structure, and in discharging its oversight accountabilities relating to the compensation and retention of senior management employees, and in particular, the President and CEO. At March 11, 2016, the CRCG&HR Committee was comprised of Brian A. Johnson (Chair), Verna E. Cuthbert, Susan M. Doré and W. Terrence Wright. All members of the CRCG&HR Committee are independent directors of the Board and no member has been an officer or employee of MCAN or any of its affiliates in the past five years.

All members have direct experience in compensation matters as either current or former chief executive officers, executive officers or through board of director positions in other publicly traded companies, or as current or former partners in national or international law firms.

Mr. Johnson has served as chair and as a member of the human resources committee of several public companies and several private companies. Additionally, he was president and CEO of Crown Life Insurance Company and had overall responsibility for executive compensation within that company. Mr. Johnson is a member of the Institute of Corporate Directors.

Ms. Cuthbert holds a LL.B. and B.A and is a member of both the Law Society of Upper Canada (Ontario Bar call 1976) and the Barreau du Québec (Quebec Bar call 1986), and presently is counsel with an international law firm. She is also a member of the Institute of Corporate Directors and the Association of Quebec Women in Finance. As counsel, partner and former partner of both national and international law firms she has had a number of years of experience in dealing directly with compensation matters for corporate clients, partners, associates, and staff.

Ms. Doré currently serves on the board of a non-public Canadian company. She has previously served as an officer and director of a federally regulated financial institution and is an ICD.D in Canada and a member of the Institute of Corporate Directors.

Mr. Wright, either as counsel, executive management member, board member, chair of governance committee or board chair of several reporting and non-reporting profit and not-for-profit companies, has been involved in the design and determination of executive compensation matters for more than twenty-five years. Mr. Wright is a member of the Institute of Corporate Directors.

The Chair of the Board also participates in all CRCG&HR Committee meetings as an ex-officio member. Collectively, this experience provides the CRCG&HR Committee with the knowledge, skills, experience and background in executive compensation and human resources matters to make decisions on the suitability of MCAN’s compensation policies and practices.

The responsibilities, powers and operation of the CRCG&HR Committee are set out in its mandate, which is attached as Schedule A to this Circular.

The CRCG&HR Committee held six regularly scheduled meetings in fiscal 2015. The President and CEO attends meetings of the CRCG&HR Committee but does not have the right to vote on any matter. Other senior officers may also attend parts of a meeting for presentation purposes. No officer, including the President and CEO, is present when his or her compensation is discussed.

The CRCG&HR Committee has instituted good governance practices that enhance its ability to effectively carry out its accountabilities. These practices include:

- utilizing a work plan which sets out the timetable of all regularly occurring matters for which the CRCG&HR Committee has accountability;
- hiring an external advisor at least every three years to advise the CRCG&HR Committee on compensation levels and structure, and requiring their attendance when their reports are discussed and when requested to attend by the Chair of the CRCG&HR Committee; and
- holding in-camera sessions without management present during every CRCG&HR Committee meeting.

**Compensation Consultant**

The CRCG&HR Committee commissions a third party to review executive compensation and to conduct a benchmarking analysis of the executive and oversight functions every three years. In 2015, the CRCG&HR Committee engaged the Hay Group (“Hay”) to assist it in benchmarking compensation of the senior executives to comparator companies in the financial services sector. Annually, the CRCG&HR Committee updates this data from the comparator companies from SEDAR or other anecdotal sources to ensure that compensation levels continue to be competitive. For 2015, the benchmark comparators were chosen from the mortgage, financial services and real estate sectors. These companies employ executives with similar skills and experience to MCAN’s executives. Many of the comparators are much larger and more complex than MCAN and the smaller comparators were selected to represent a similar size and complexity to MCAN. There were eleven companies used in the 2015 comparison including Atrium Mortgage Investment Corporation, Cominar Real Estate Investment Trust, Counsel Corporation, Equitable Group Inc., Equity Financial Holdings Inc., First National Financial Corporation, Home Capital Group Inc., MCAP Commercial LP, Morguard Real Estate Investment Trust, Street Capital Corporation and Timbercreek Mortgage Investment Corporation.

The following table lists the aggregate fees billed by Hay by category:

	<b>Year Ended December 31, 2015</b>	<b>Year Ended December 31, 2014</b>
Executive Compensation – Related Fees	-	-
All Other Fees – (Pay Equity, Non-Executive Compensation Review)	\$66,468	-

## **Compensation Philosophy**

MCAN's executive compensation policy focuses on performance and is designed to reflect management's expected contribution to MCAN and encourage them to act in a manner which furthers MCAN's goals and enhances long-term profitability.

Compensation for executive officers is comprised of three components – base salary, annual bonus incentive and long term incentive programs.

MCAN wishes to attract, retain and motivate results-oriented individuals who will contribute to its long-term success. The compensation strategy achieves this by:

- linking the strategic philosophies of management and shareholders;
- supporting and reinforcing its business and risk management strategies;
- ensuring that MCAN's compensation programs are competitive with the market and industry practices; and
- linking compensation to measurement programs that drive the achievement of business growth and profitability over the long term.

### ***Base Salary***

The base salary component of the policy is intended to recognize the contribution to MCAN of each NEO and to provide the respective officer with a level of income certainty, to attract, retain and motivate MCAN's officers. Base salaries and total compensation for executives are determined relative to positions with equivalent responsibilities and scope within a comparator group.

The base salary for the President and CEO is reviewed annually by the CRCG&HR Committee. The CRCG&HR Committee conducts an annual review of the President and CEO's performance. Based upon this review, the CRCG&HR Committee makes recommendations to the Board regarding appropriate adjustments, as needed, to the President and CEO's base salary. The Board makes the ultimate decision regarding base salary paid to the President and CEO.

The base salary for the Vice President and CFO, the Vice President and CIO, the Vice President and CRO and the Vice President, Operations, respectively, is reviewed annually by the President and CEO, who conducts an annual review of those officers' performance in the prior year. Based on these reviews, the President and CEO makes a recommendation regarding the base salaries to the CRCG&HR Committee who makes a recommendation to the Board regarding appropriate adjustments, as needed, to the base salaries of the Vice President and CFO, Vice President and CIO, Vice President and CRO and Vice President, Operations. The Board makes the ultimate decision regarding the base salary paid to the Vice President and CFO, Vice President and CIO, Vice President and CRO and Vice President, Operations.

The President and CEO's overall performance is also evaluated annually by all the directors using an evaluation/rating questionnaire using the following qualitative performance factors:

- Vision
- Leadership
- Ability to Meet Corporate Performance Objectives
- Integrity
- Succession Planning
- Shareholder Relations
- Stakeholder Relationships
- CEO Board Relationships

The results of this questionnaire are used to ensure continuous confidence in the President and CEO’s leadership role within MCAN.

***Bonus Incentives***

Annual Incentive Plan

The annual incentive plan has been designed to motivate and reward executives for their role in achieving objectives approved by the Board in the annual budget and longer term business plan. The plan is in place to compensate the NEOs for achieving targeted results of the Corporation, and to link their compensation directly to performance of the Corporation over the year and in enhancing long term profitability.

The annual incentive is comprised of a financial performance factor and personal objectives that help to meet the longer term strategic goals of the Corporation. These objectives include risk management, compliance, and loan arrears and losses.

The Board set the financial target as an adjusted return on equity (“ROE”) of 16% for 2015. Adjusted ROE is a Non-IFRS Measure<sup>(1)</sup> and is calculated based on net income before taxes, adjusted for the total return on certain mark to market investments and unusual items (generally outside of management control as agreed to, from time to time, by the CRCG&HR Committee) and certain income and investment components that benefit earnings in future periods, divided by average shareholders’ equity. The incorporation of adjusted ROE into the annual incentive plan is consistent with MCAN’s compensation policy of encouraging management to act in a manner which reflects MCAN’s goals and to enhance long term profitability.

2015 Adjusted ROE is calculated as follows:

Net income before income taxes	\$	32,768
Other comprehensive income		2,920
Net increase in internally-originated uninsured single family portfolio <sup>(2)</sup>		1,335
Net increase in market MBS program mortgages <sup>(3)</sup>		5,022
Adjustment for rights offering dilution <sup>(4)</sup>		600
	<u>\$</u>	<u>42,645</u>
Average income tax capital <sup>(5)</sup>	\$	213,266
Adjusted ROE		20.00%

Notes:

- (1) MCAN prepares its consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”). MCAN uses a number of financial measures to assess its performance. Some of these measures are not calculated in accordance with IFRS, are not defined by IFRS, and do not have standardized meanings that would ensure consistency and comparability between companies using these measures.
- (2) Incorporated at a factor of 1%. Represents future benefit provided to MCAN through renewal rights retained on mortgages originated internally.
- (3) Incorporated at a factor of 1.6% for internally originated mortgages and 0.9% for externally originated mortgages. Represents benefit of future income generated from mortgages originated during year. Consists of mortgages securitized through the market MBS program and both sold to third parties and retained by MCAN for liquidity purposes.
- (4) Incorporated into calculation to compensate for dilutive impact of rights offering on adjusted ROE.
- (5) Average income tax capital for 2015 calculated on a monthly basis. Income tax capital is considered to be a Non-IFRS Measure, defined in the “Non-IFRS Measures” section of the 2015 Management’s Discussion and Analysis of Operations.

The amount of each executive’s bonus is made up of a “Company Performance Factor” and an “Individual Performance Factor”. The Individual Performance Factor is comprised of personal performance factors that are recommended each year for the officer by the President and CEO and approved by the Board and for the President and CEO by the Chair of the Board and approved by the Board. The CRCG&HR Committee has discretion to amend the adjusted ROE realization to ensure compliance with the Compensation Plan.

For fiscal 2015, the weighting between the Company Performance Factor and Individual Performance Factor was as follows:

<u>Position</u>	<u>Company Performance Factor</u>	<u>Individual Performance Factor</u>
President and CEO	60%	40%
Vice President and CFO	60%	40%
Vice President and CIO	60%	40%
Vice President and CRO	40%	60%
Vice President, Operations	40%	60%

For fiscal 2015, the potential bonus entitlements of the NEOs were calculated as a percentage of base salary, times the Company Performance Factor as follows:

<u>Return on Equity</u>	<u>Threshold – Adjusted ROE is at least 75% of Target ROE</u>	<u>Fair/Needs Improvement</u>	<u>Target – Adjusted ROE is at least 100% of Target ROE</u>	<u>Good/Superior</u>	<u>Maximum – Adjusted ROE is at least 125% of Target ROE</u>
President and CEO	30%	50%	70%	90%	110%
Vice President and CFO	20%	35%	50%	65%	80%
Vice President and CIO	20%	35%	50%	65%	80%
Vice President and CRO	20%	35%	50%	65%	80%
Vice President, Operations	20%	35%	50%	65%	80%

### ***Long Term Incentive Programs (LTIP)***

#### **Executive Share Purchase Plan**

The Executive Share Purchase Plan (the “**ESP Plan**”) was established by the Board and approved by the TSX in 2002. The ESP Plan provides executives with the opportunity to purchase Common Shares through interest-bearing loans up to an amount not exceeding two times such executive’s salary. The aggregate number of Common Shares which may be issued pursuant to the ESP Plan may not exceed 480,000, provided that the number of Common Shares which may be issued pursuant to this ESP Plan together with Common Shares which may be issued pursuant to any other share-based compensation arrangements of MCAN may not exceed 10% of the outstanding Common Shares and the number of Common Shares which may be issued pursuant to the ESP Plan to any one person may not exceed 5% of the outstanding Common Shares. Loans totalling \$144,207 were advanced under the ESP Plan in 2015. The ESP Plan was developed to more closely align the interests of management with the interests of shareholders and to compensate the NEOs and other executive officers for their individual performance.

Common Shares issued from treasury may be issued pursuant to the ESP Plan at the weighted average trading price for the 20 days preceding such issue. A total of 288,938 Common Shares (representing approximately 1.26% of the outstanding Common Shares) have been issued pursuant to the ESP Plan since the ESP Plan was adopted and, as of the date hereof, 191,062 Common Shares (representing approximately 0.83% of the outstanding Common Shares) remain available for issuance under the ESP Plan.

Loans advanced bear interest at prime plus 1% and are secured by Common Shares. MCAN, at its discretion, may reimburse the executive officers the interest amount in connection with loans provided pursuant to the ESP Plan. Dividends on the Common Shares are used to reduce the principal balance of the loans as follows: 50% of regular dividends and 75% of capital gains dividends. The loans have a five-year renewable term and there are no

restrictions on early repayment. Common Shares acquired pursuant to the ESP Plan are pledged as collateral for the loans for so long as the relevant loans remain outstanding.

This policy is reviewed periodically to ensure MCAN is able to attract and retain intellectual capital that will sustain long-term growth and profitability. The number of Common Shares issuable for purchase to the NEOs and other executive officers pursuant to the ESP Plan is set annually by the Board, based on the officer's performance in the prior year. The Board also sets an annual cap on the aggregate amount of the outstanding loans to each NEO or other executive officers, such that the officer's purchase of Common Shares in the year is also subject to that cap.

#### Deferred Share Unit Plan

The Deferred Share Unit Plan (the "**DSU Plan**") was established by the Board in 2010, at which time the Board granted deferred share units ("**DSUs**") under the DSU Plan to the President and CEO (the "**Participant**"). Each DSU is equivalent in value to one Common Share of the Corporation. Following his retirement/termination date, the Participant is entitled to receive cash for each DSU. The individual DSU value is based on the average market value of the Corporation's Common Shares for the five days preceding the retirement/termination date. The Participant was granted 30,000 DSUs under the DSU Plan during 2010. In addition, the Participant is entitled to receive dividend distributions in the form of additional DSUs. The underlying DSUs followed a graded vesting schedule over three years. All dividends paid prior to July 6, 2014 vested as at July 6, 2014. All dividends paid after July 6, 2014 vest immediately. As at the date of this Circular, 50,056 DSUs have vested.

In addition to the foregoing DSU Plan, in 2011, the Board approved a NEO deferred share unit plan (the "**NEO DSU Plan**") as part of the Corporation's annual incentive plan. The NEO DSU Plan allows the Board to approve a portion of a NEO's annual bonus to be awarded in DSUs when the annual bonus is awarded above the target amount. The DSUs may be approved in amounts up to 35% of the amount of the bonus awarded above the target amount. The DSUs will vest to the employee after three years from the date of grant. No DSUs were approved by the Board in 2015, or since the NEO DSU Plan was established, as the Restricted Share Unit Plan was adopted in 2013. The Board will be discontinuing the NEO DSU Plan in 2016.

#### Restricted Share Unit Plan

The Restricted Share Unit Plan (the "**RSU Plan**") was established by the Board in August 2013, at which time the Board granted units ("**RSUs**") under the RSU Plan to certain NEOs and other officers (the "**RSU Participants**"). Each RSU is equivalent in value to one Common Share. The RSUs vest over three years, at which time the RSU Participants are entitled to receive a cash payment based on the value of the Common Shares at the time of payment. In addition, the RSU Participants are entitled to receive dividend distributions in the form of additional RSUs. The RSU Participants were granted 35,120 RSUs under the RSU Plan during 2015, for a total of 61,319 RSUs granted to the RSU Participants pursuant to the RSU Plan since the RSU Plan was adopted. A total of 5,997 additional RSUs were issued to the RSU Participants as a result of dividend distributions, 1,180 RSUs were forfeited by a RSU Participant during 2015, for an aggregate total as of the date of this Circular of 66,136 RSUs. As at the date of this Circular, no RSUs have vested. The Board expects to consider RSU grants on an annual basis.

#### *Other Incentive Plans*

##### Employee Share Ownership Plan

The Employee Share Ownership Plan (the "**ESOP**") was established by the Board in 2000 to enable employees of MCAN to purchase Common Shares of the Corporation in a convenient and systematic manner and to encourage continued long-term employee interest in the operation, growth and development of the Corporation. Participation in the ESOP is voluntary. A participating employee may contribute no more than 6% and no less than 1% of his or her annual salary into the ESOP and MCAN will contribute 50% of the employee's contribution, up to a maximum of 3% of the employee's base salary. Contributions are used to acquire Common Shares on the open market. The ESOP is administered by Computershare Trust Company of Canada.

For purposes of the ESOP, Common Shares acquired with an employee's contribution vest immediately. Two withdrawals or transfers of Common Shares acquired with an employee's contribution are permitted in a calendar

year. A third withdrawal or transfer results in a suspension of MCAN's future contributions to the employee's plan for a period of twelve months. Under the terms of the ESOP, Common Shares acquired with MCAN's contribution to the ESOP vest on November 30<sup>th</sup> of the year in which the Common Shares are acquired. Unvested Common Shares cannot be withdrawn or transferred until November 30<sup>th</sup> of each year.

#### Deferred Profit Sharing Plan

The Deferred Profit Sharing Plan (the "DPSP") is a component of the retirement savings plan for all eligible employees and is supported entirely by contributions made by the Corporation. Under the DPSP, an employee may contribute up to 7% of his or her annual salary, depending on years of service (up to a maximum of \$12,685 for 2015), to a group registered retirement savings plan for MCAN's employees and MCAN matches such employee contributions with contributions to the DPSP. While an employee has fully vested rights to contributions made to the DPSP, no withdrawals are permitted from the DPSP while an individual is employed by the Corporation.

#### DPSP Supplemental Employee Retirement Plan

The DPSP Supplemental Employee Retirement Plan (the "DPSP SERP") is supported entirely by contributions made by MCAN and is limited to former employees of Mutual Life who participated in Mutual Life's defined benefit pension plan and whose company retirement benefit contributions exceed the contributions allowed under the *Income Tax Act* (Canada). Under the DPSP SERP, a formula based on the employee's years of service and age at the time of leaving Mutual Life is used to determine the Corporation's contribution for each eligible employee. Pursuant to the DPSP SERP, in 2015 MCAN contributed 0.50% of Michael Misener's base salary on an annual basis into the DPSP SERP. Accumulated DPSP SERP contributions are payable only at retirement and earn a 7% rate of return per annum. A lump sum payment of the accumulated contributions is made on termination or death. On retirement, a member may elect a single lump sum payment or two payments over two years.

## Summary Compensation Table

The table below sets forth the information for the last three fiscal years of MCAN concerning the compensation earned by the CEO, the CFO and each of the three most highly compensated executive officers of MCAN and its subsidiaries, other than the CEO and the CFO, whose total compensation was, individually, more than \$150,000 at the end of the most recently completed financial year.

Name and Principal Position	Year	Salary <sup>(1)</sup> (\$)	Share-based Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	All Other Compensation (\$)	Total Compensation (\$)
				Annual Incentive Plans <sup>(2)</sup>		
William Jandrisits <sup>(3)</sup> President and CEO	2015	358,750	182,101 <sup>(4), (5)</sup>	338,870	41,801 <sup>(6)</sup>	921,522
	2014	345,833	126,777 <sup>(4), (5)</sup>	257,810	89,061 <sup>(6)</sup>	819,481
	2013	323,363	45,129 <sup>(5)</sup>	232,445	40,549 <sup>(6)</sup>	641,486
Jeffrey Bouganim <sup>(7)</sup> Vice President and CFO	2015	256,250	76,286 <sup>(8)</sup>	182,825	24,679 <sup>(6)</sup>	540,040
	2014	246,666	45,759 <sup>(8)</sup>	147,613	24,187 <sup>(6)</sup>	464,225
	2013	111,609	26,000 <sup>(8)</sup>	119,880	12,277 <sup>(6)</sup>	269,766
Michael Misener Vice President and CIO	2015	246,000	61,265 <sup>(8)</sup>	154,994	29,425 <sup>(9)</sup>	491,684
	2014	238,333	31,851 <sup>(8)</sup>	128,028	30,586 <sup>(9)</sup>	428,798
	2013	227,000	26,000 <sup>(8)</sup>	120,290	30,769 <sup>(9)</sup>	404,059
Derek Sutherland Vice President and CRO	2015	194,750	36,139 <sup>(8)</sup>	119,572	8,899 <sup>(10)</sup>	359,360
	2014	188,333	34,928 <sup>(8)</sup>	107,882	10,319 <sup>(10)</sup>	341,462
	2013	175,000	26,000 <sup>(8)</sup>	85,684	10,453 <sup>(10)</sup>	297,137
Carl Brown <sup>(11)</sup> Vice President, Operations	2015	157,594	22,391 <sup>(8)</sup>	98,185	20,445 <sup>(6)</sup>	298,615
	2014	153,125	21,434 <sup>(8)</sup>	76,921	19,965 <sup>(6)</sup>	271,445
	2013	150,000	18,200 <sup>(8)</sup>	80,404	19,500 <sup>(6)</sup>	268,104

### Notes:

- (1) Salaries represent the amounts paid to the NEO from January to December of each year. Annual salary increases take effect on March 1<sup>st</sup> of each year.
- (2) Amounts shown are the bonuses paid pursuant to the Annual Incentive Plan. In 2015, the adjusted ROE measure achieved was 20%. In 2014, the adjusted ROE measure achieved was 16.61%. In 2013, the adjusted ROE measure achieved was 16%.
- (3) No directors' fees were paid to Mr. Jandrisits during 2015, 2014 or 2013.
- (4) The fair value of the dividend distributions in the year pursuant to the DSU Plan is based on the average market value of the Corporation's Common Shares underlying the DSUs for the preceding five business days leading up to the grant date. This methodology was used because it is the most accurate reflection of the average market value. The fair value as at the date of grant and the fair value of the dividend distributions pursuant to the RSU Plan are calculated using the average market value of the Corporation's Common Shares for the preceding five business days leading up to the grant date. This methodology was used because it is the most accurate reflection of the average market value.
- (5) For 2015, the amount shown is the fair value of the dividend distributions, which amount of \$51,863 is payable under the DSU Plan, and the fair value as at the date of grant and the fair value of the dividend distributions, which amount of \$130,238 is payable under the RSU Plan. For 2014, the amount shown is the fair value of the dividend distributions, which amount of \$47,853 is payable under the DSU Plan, and the fair value as at the date of grant and the fair value of the dividend distributions, which amount of \$78,924 is payable under the RSU Plan. For 2013, the amount shown is the fair value of the dividend distributions, which amount is payable under the DSU Plan.
- (6) The amounts shown include MCAN's contributions under MCAN's ESOP and DPSP, the interest obligations of the NEOs to MCAN that were reimbursed by the Corporation, at its discretion, in connection with loans provided pursuant to the ESP Plan, and in the case of Mr. Jandrisits, for 2014, a one-time payment pursuant to his employment agreement to pay him a 5% DPSP SERP amount. An amount, totalling \$24,972, was not previously paid and subsequently paid in 2014. The DPSP SERP entitlement for Mr. Jandrisits was cancelled thereafter. Mr. Jandrisits is also awarded a discretionary perquisite amount of up to \$20,000 annually, which amount was included for 2014 as the DPSP SERP entitlement and the discretionary perquisite amount equated to 13% of Mr. Jandrisits' salary for 2014.
- (7) Appointed Vice President and CFO effective August 31, 2013. From July 4, 2013 to August 31, 2013, Mr. Bouganim was MCAN's Vice President, Capital Markets.
- (8) The amounts shown are the fair values as at the date of grant and the fair values of the dividend distributions payable under the RSU Plan, which values are based on the average market value of the Corporation's Common Shares underlying the RSUs for the preceding five business days leading up to the grant date. This methodology was used because it is the most accurate reflection of the average market value.

- (9) Amounts shown include MCAN's contributions under MCAN's ESOP, DPSP and DPSP SERP, and the interest obligations of the NEO to MCAN that were reimbursed by the Corporation, at its discretion, in connection with loans provided pursuant to the ESP Plan.
- (10) Amounts shown include MCAN's contributions under MCAN's ESOP and the interest obligations of the NEO to MCAN that were reimbursed by the Corporation, at its discretion, in connection with loans provided pursuant to the ESP Plan.
- (11) Appointed Vice President, Operations effective January 1, 2013.

### Outstanding Share-Based Awards

The following table outlines all share-based awards granted to the President and CEO and outstanding at the end of the 2015 fiscal year, including share-based awards granted prior to the most recently completed financial year:

Name	Share-Based Awards Deferred Share Units (DSUs) <sup>(1)</sup>		
	Number of Unvested DSUs (#)	Market or Payout Value of Unvested DSUs (\$)	Market or Payout Value of Vested DSUs Not Paid Out or Distributed <sup>(2)</sup> (\$)
William Jandrisits President and CEO	-	-	581,065

Notes:

- (1) Pursuant to the DSU Plan, Mr. Jandrisits does not receive the cash value of the DSUs until his retirement or termination. Further, dividends received in the form of additional DSUs and paid prior to July 6, 2014 vested on July 6, 2014. All dividends received in the form of additional DSUs and paid after July 6, 2014, vest immediately.
- (2) The market or payout value is the value of the 48,889 Common Shares underlying the 48,889 vested DSUs at the average market value of the Corporation's Common Shares on the TSX for the five business days preceding December 31, 2015 (being the last trading day of 2015) which was \$11.8854.

The following table outlines all share-based awards granted to the NEOs entitled to receive such awards and outstanding at the end of the 2015 fiscal year:

Name	Share-Based Awards Restricted Share Units (RSUs) <sup>(1)</sup>		
	Number of Unvested RSUs (#)	Market or Payout Value of Unvested RSUs <sup>(2)</sup> (\$)	Market or Payout Value of Vested RSUs Not Paid Out or Distributed (\$)
William Jandrisits President and CEO	16,299	193,720	Nil
Jeffrey Bouganim Vice President and CFO	11,513	136,837	Nil
Michael Misener Vice President and CIO	9,317	110,736	Nil
Derek Sutherland Vice President and CRO	7,374	87,643	Nil
Carl Brown Vice President, Operations	4,716	56,052	Nil

Notes:

- (1) Pursuant to the RSU Plan, the NEOs do not receive the cash value of the RSUs and any additional RSUs received as a result of dividend distributions, until three years following the award of the RSUs, subject to continued employment with MCAN.
- (2) The market or payout value is the value of the Common Shares underlying the unvested RSUs at the average market value of the Corporation's Common Shares on the TSX for the five business days preceding December 31, 2015 (being the last trading day of 2015) which was \$11.8854.

## Incentive Plan Awards – Value Vested or Earned During the Year

Name and Principal Position	Year	Share-Based Awards – Value Vested During the Year (\$)	Non-Equity Incentive Plan Compensation – Value Earned During the Year (\$)
		Long-Term Incentive Plan <sup>(1)</sup> (\$)	Annual Incentive Plan <sup>(2)</sup> (\$)
William Jandrisits President and CEO	2015	51,863	338,870
Jeffrey Bouganim Vice President and CFO	2015	NIL	182,825
Michael Misener Vice President and CIO	2015	NIL	154,994
Derek Sutherland Vice President and CRO	2015	NIL	119,572
Carl Brown Vice President, Operations	2015	NIL	98,185

### Notes:

- (1) The amount shown is the fair value of the dividend distributions payable under the DSU Plan based on the average market value of the Corporation's Common Shares on the TSX for the five business days preceding the vesting dates of January 2, 2015, March 31, 2015, June 30, 2015 and September 30, 2015 respectively. Pursuant to the DSU Plan, Mr. Jandrisits does not receive the cash value of the DSUs until his retirement or termination.
- (2) Amounts shown are the bonuses paid pursuant to the Annual Incentive Plan.

## Compensation Policies and Risk Management

MCAN's Board has adopted and follows the Financial Stability Board's Principles for Sound Compensation Practices as published by the Office of the Superintendent of Financial Institutions ("OSFI"). The CRCG&HR Committee and the full Board considers the implications of the risks associated with the Corporation's compensation policies and practices when determining rewards for its NEOs. In assessing risk for the 2015 fiscal year, the CRCG&HR Committee determined that the compensation arrangements for the NEOs do not create risks that are reasonably likely to have a material adverse effect on the Corporation. These employees participate in the creation of shareholder value over the long-term, aligning their interests with those of our shareholders.

The Board believes that the 16% adjusted ROE is a reasonable target within MCAN's risk appetite, with the maximum payout being reached at a 20% adjusted ROE. No payments have been made in the past three years for specific transactions or tasks. The Board may, at its discretion, defer payment on a portion of bonuses over target by payment in RSUs, which would defer payment for three years. In addition, the long-term incentive plans, including the ESP Plan, the ESOP, the DSU Plan (in the case of the President and CEO) and the RSU Plan encourage management to take a long-term perspective to ensure the stability of the enterprise and creation of shareholder value.

## Hedging of Economic Risks for Personal Equity Ownership

All executives and directors are prohibited from entering into transactions that have the effect of hedging the economic value of any direct or indirect interests by such persons in Common Shares, unless such transactions are executed and disclosed in full compliance with all applicable regulations and have been previously approved by the CRCG&HR Committee. To date, no executive or director has hedged the economic value of their direct or indirect interests.

## Employment Contracts

### William Jandrisits

An employment contract was established with Mr. Jandrisits on July 6, 2010, effective upon his appointment as President and CEO on August 4, 2010. His employment contract was amended on November 16, 2010, to amend the termination arrangements that would be available upon a change of control. Mr. Jandrisits' contract provides for the following payments and benefits in the event of termination of employment without cause or termination on a change of control:

<p><b>Termination of Employment without Cause</b></p>	<p>MCAN may terminate Mr. Jandrisits' employment at any time without cause by providing him with notice or pay in lieu of notice equivalent to twelve months of base salary. This termination payment would be \$360,500 based on Mr. Jandrisits' base salary at December 31, 2015.</p> <p>As part of the termination package, Mr. Jandrisits will be provided with a continuation of his standard life, medical and dental benefit coverage and RRSP/DPSP (collectively, for the purposes of this chart, the "<b>Benefits</b>") for the duration of the statutory notice period. Assuming Mr. Jandrisits' employment was terminated without cause on December 31, 2015, an estimate of the total value of the termination package owing to Mr. Jandrisits, including base salary and Benefits for the duration of the statutory period, would be \$362,920. Subject to applicable legislation, all disability benefit coverage will be discontinued immediately upon termination. To the extent provided, continued coverage pursuant to the aforementioned benefit plans will be conditional on Mr. Jandrisits satisfying the terms and conditions required by the individual insurance policies, and paying any applicable employee premiums.</p> <p>In the event that Mr. Jandrisits obtains alternative employment within the continuance period, he will be provided with a lump sum payment, equivalent to fifty (50%) per cent of the balance owing for the remainder of the continuance period. Furthermore, immediately upon securing alternative employment, the continuation of standard life, medical and dental benefit coverage and Mr. Jandrisits' participation in MCAN's RRSP/DPSP will cease.</p> <p>The termination package shall supersede and replace any and all rights to reasonable notice of termination that Mr. Jandrisits might otherwise be entitled to at common law and Mr. Jandrisits expressly waives any rights to such notice.</p> <p>The termination package is deemed conclusively to be reasonable notice of termination and specifically includes all amounts owing for termination and/or severance pay under any contract, statute, common law or otherwise.</p>
<p><b>Termination Arrangements on Change of Control</b></p>	<p>"Change-in-Control" means:</p> <p>(A) the acceptance and sale by the holders of the Common Shares, representing in the aggregate more than fifty (50%) percent of all issued and outstanding Common Shares of any offer, whether by way of a takeover bid or otherwise, for all or any of the Common Shares;</p> <p>(B) the acquisition, by whatever means (including, without limitation, amalgamation, arrangement, consolidation or merger), by a person (or two or more persons who in such acquisition have acted jointly or in concert or intend to exercise jointly or in concert any voting rights attaching to the Common Shares acquired), directly or indirectly, of the beneficial ownership of such number of Common Shares or rights to Common Shares, which together with such person's then owned Common Shares and rights to acquire Common Shares, if any, represent (assuming the full exercise of such rights to acquire Common Shares) more than fifty (50%) percent of the voting rights of the Common Shares together with the Common Shares that would be outstanding on the full exercise of the rights to acquire Common Shares and such person's previously owned rights to acquire Common Shares;</p> <p>(C) the closing of a transaction whereby either the Corporation merges,</p>

	<p>consolidates, amalgamates, is arranged or absorbed by or into another person, and as a result of such transaction, the holders of Common Shares prior to the transaction own directly or indirectly less than 50% of the equity of the entity resulting from the transaction; or</p> <p>(D) the sale by the Corporation of all or substantially all of its respective assets.</p> <p>Following a Change-in-Control (as defined above), MCAN will pay Mr. Jandrisits, in addition to the payments due under Termination of Employment without Cause, 50% of his annual base salary. Assuming a change-in-control event took place on December 31, 2015, Mr. Jandrisits would be entitled to receive an estimated \$543,170.</p>
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Mr. Jandrisits' employment contract includes a non-solicitation clause that survives for a period of one year from the date on which his employment with MCAN terminates, as well as a standard confidentiality clause.

Jeffrey Bouganim

MCAN entered into an employment contract with Mr. Bouganim on June 18, 2013, effective, with respect to Mr. Bouganim's role as Vice President, on July 5, 2013 and, with respect to Mr. Bouganim's role as CFO, on August 31, 2013. Mr. Bouganim's contract provides for the following payments and benefits in the event of termination of employment without cause:

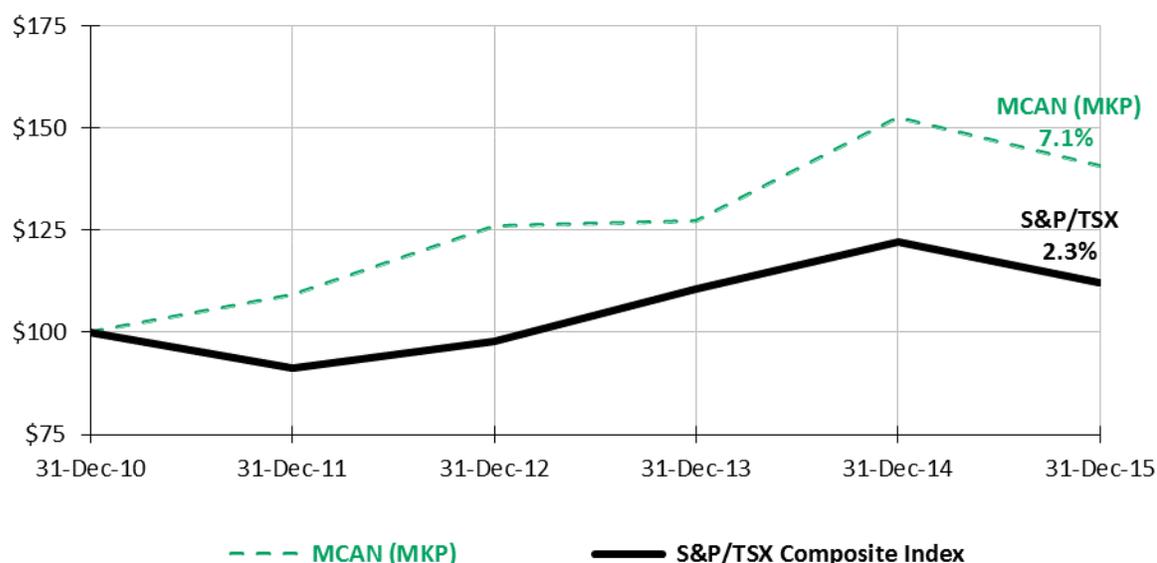
<p><b>Termination of Employment without Cause</b></p>	<p>MCAN may terminate Mr. Bouganim's employment at any time without cause by providing him with notice equivalent to one month multiplied by the whole number of completed years of employment, to a maximum of 24 months (the "Continuation Period"). Alternatively, MCAN may make a payment in lieu of notice calculated by multiplying one month of base salary plus one twelfth of the average of Mr. Bouganim's annual incentive under the annual incentive plan for the last three calendar years (or such shorter period, if applicable provided that if termination occurs before the end of the first calendar year, such amount will be zero) by the Continuation Period. The minimum notice period will be 6 months. Based on Mr. Bouganim's base salary at December 31, 2015 and the annual incentive payments in 2013, 2014 and 2015, the amount payable would be \$203,803.</p> <p>As part of the termination package, Mr. Bouganim will be provided with a continuation of his standard life, medical and dental benefit coverage, the ESOP and RRSP/DPSP (collectively, for the purposes of this chart, the "Benefits") for the duration of the notice period. Assuming Mr. Bouganim's employment was terminated without cause on December 31, 2015, an estimate of the total value of the termination package owing to Mr. Bouganim including base salary and Benefits for the duration of the notice period, would be \$215,161. Subject to applicable legislation, all disability benefit coverage will be discontinued immediately upon termination. To the extent provided, continued coverage pursuant to the aforementioned benefit plans will be conditional on Mr. Bouganim satisfying the terms and conditions required by the individual insurance policies, and paying any applicable employee premiums.</p> <p>In the event that Mr. Bouganim obtains alternative employment within the continuance period, he will be provided with a lump sum payment, equivalent to fifty per cent (50%) of the balance owing for the remainder of the continuance period. Furthermore, immediately upon securing alternative employment, the continuation of the Benefits will cease.</p> <p>The termination package shall supersede and replace any and all rights to reasonable notice of termination that Mr. Bouganim might otherwise be entitled to at common law and Mr. Bouganim expressly waives any rights to such notice.</p> <p>The termination package is deemed conclusively to be reasonable notice of termination and specifically includes all amounts owing for termination and/or severance pay under any contract, statute, common law or otherwise.</p>
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Mr. Bouganim’s employment contract includes a non-solicitation clause that survives for a period of one year from the date on which his employment with MCAN terminates, as well as standard confidentiality and non-disparagement clauses.

None of the other NEOs have any contract, agreement, plan or arrangement with MCAN that provides for payments to the NEO at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change in control of the Corporation or a change in the NEO’s responsibilities.

### Performance Graph

The following graph compares MCAN’s cumulative total shareholder return (assuming an investment of \$100 on December 31, 2010) on its Common Shares during the period from January 1, 2011 to December 31, 2015, with the S&P/TSX Composite Index (Total Return), assuming reinvestment of all dividends.



	Jan 1 2011	Dec 31 2011	Dec 31 2012	Dec 31 2013	Dec 31 2014	Dec 31 2015	Compound Annual Growth
MCAN	\$100	\$109	\$126	\$127	\$153	\$141	7.1%
S&P/TSX Composite Index (Total Return)	\$100	\$91	\$98	\$111	\$122	\$112	2.3%

*Note: Dividends declared on Common Shares are assumed to be reinvested at the closing price on the payment date.*

The compensation paid to MCAN’s NEOs is not contingent upon the performance of the Common Shares on the TSX except to the extent of the executive officers’ participation in the ESP Plan, in the case of the President and CEO, the DSU Plan and the RSU Plan, and in the case of the other NEOs the RSU Plan. The positive trend in total shareholder returns is based in part on the trend in MCAN’s earnings per Common Share and return on shareholders’ equity. In 2013, 2014 and 2015 bonuses awarded were based on adjusted ROE and personal performance factors.

## Compensation of Directors

The following table sets out all compensation paid by MCAN to the directors for the Corporation's 2015 fiscal year.

Name <sup>(1)</sup>	Board Position	Fees Earned in Cash (\$)	Total (\$)
Scott G. Coates	Director	49,750	49,750
Brydon D. Cruise	Director and Chair of Risk Committee	63,750	63,750
Verna C. Cuthbert	Director	50,500	50,500
Susan M. Doré	Lead Director	64,250	64,250
Brian A. Johnson	Director and Chair of CRCG&HR Committee	75,000 <sup>(2)</sup>	75,000
Ian Sutherland	Director and Chair of the Board	100,000	100,000
Karen H. Weaver	Director and Chair of the Audit Committee	62,250	62,250
W. Terrence Wright	Director and Chair of the ERM Ad Hoc Committee	59,750 <sup>(2)</sup>	59,750
<b>Total</b>		<b>525,250</b>	<b>525,250</b>

Notes:

- (1) Mr. Jandrisits does not receive any compensation in his capacity as a director of the Corporation. For Mr. Jandrisits' compensation as President and CEO, see page 22 of this Circular.
- (2) Payment of fees for the ERM Ad Hoc Committee meetings commenced in 2015.

See "Compensation of Directors" on page 12 for further details.

## INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth the aggregate indebtedness to MCAN and its subsidiaries of all executive officers, directors, employees and former executive officers, directors and employees of MCAN and its subsidiaries as of the date of this Circular.

AGGREGATE INDEBTEDNESS (\$) (As of March 11, 2016)		
Purpose	To MCAN or its Subsidiaries	To Another Entity
Common Share purchases	\$1,525,960 <sup>(1)</sup>	Nil
Other	Nil	Nil

(1) Pursuant to the ESP Plan, details of which are set out on page 19 of this Circular.

The following table sets forth the indebtedness of MCAN's directors, executive officers, proposed nominees for election as a director, or associates of any of them, to MCAN or any of its subsidiaries.

<b>INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS UNDER (1) SECURITIES PURCHASE PROGRAMS AND (2) OTHER PROGRAMS</b>						
<b>Name and Principal Position</b>	<b>Involvement of Corporation or Subsidiary</b>	<b>Largest Amount Outstanding During 2015 Fiscal Year</b>	<b>Amount Outstanding as at March 11, 2016</b>	<b>Financially Assisted Securities Purchases During 2015 Fiscal Year</b>	<b>Security for Indebtedness</b>	<b>Amount Forgiven During 2015 Fiscal Year<sup>(1)</sup></b>
<i>Common Share Purchase Program<sup>(2)</sup></i>						
William Jandrisits Director, President and CEO	Accounts Receivable of 6212484 Canada Inc. as Lender <sup>(3)</sup>	\$549,767	\$532,394	4,178	Common Shares	Nil
Jeffrey Bouganim Vice President and CFO		\$152,540	\$148,553	1,152	Common Shares	Nil
Michael Misener Vice President and CIO		\$249,980	\$237,092	3,287	Common Shares	Nil
Derek Sutherland Vice President and CRO		\$109,594	\$92,533	Nil	Common Shares	Nil
Carl Brown Vice President, Operations		\$144,919	\$136,237	Nil	Common Shares	Nil

Notes:

- (1) No amounts have been forgiven since the ESP Plan was established.
- (2) Details of the ESP Plan are set out on page 19 of this Circular.
- (3) 6212484 Canada Inc. is a wholly-owned subsidiary of MCAN.

### **DIVIDEND REINVESTMENT PLAN**

In 2011 MCAN received approval from the TSX to amend and restate its dividend reinvestment plan effective November 11, 2011 (the “**Dividend Reinvestment Plan**”) to, among other things, provide eligible participants with a 2 per cent (2%) discount on the purchase of Common Shares issued from treasury. Prior to the amendment, Common Shares purchased from treasury under the Dividend Reinvestment Plan were issued by MCAN without any discount to the “average market price” (as such term was defined in the prior plan). Pursuant to the amended terms of the Dividend Reinvestment Plan, the discount is effective until further notice from MCAN. Notwithstanding the foregoing, MCAN continues to reserve the right to deliver Common Shares purchased on the open market, in which case the discount would not apply.

Pursuant to the Dividend Reinvestment Plan, as amended, cash dividends paid to participating holders of Common Shares (less any applicable withholding taxes) are automatically reinvested in Common Shares purchased by Computershare, as agent, at MCAN’s discretion, either (i) on the open market at market prices or (ii) from treasury at the weighted average trading price for Common Shares on the TSX for the five (5) trading days preceding the relevant dividend payment date less a discount of 2 per cent (2%).

There are no commissions, service charges or brokerage fees payable by participants under the Dividend Reinvestment Plan, except where purchases of Common Shares under the Plan are made on the open market. Such purchases are made through registered brokers whose fees are included in determining the average weighted cost to participants of Common Shares so purchased. All other administrative costs of the Dividend Reinvestment Plan, including the fees and expenses of Computershare, as agent, are borne by MCAN.

A copy of the Dividend Reinvestment Plan and a form permitting registered shareholders to elect to participate in or withdraw from the Dividend Reinvestment Plan are available by calling MCAN’s Corporate Secretary at (416) 591-5214, and a copy of the Dividend Reinvestment Plan is also available on MCAN’s website at [www.mcanmortgage.com](http://www.mcanmortgage.com) under the heading “Investor Relations” or on SEDAR at [www.sedar.com](http://www.sedar.com). Beneficial owners of Common Shares must

make arrangements with the financial institution or stock brokerage through which they hold their Common Shares to become a participant in the Dividend Reinvestment Plan. Once a registered holder or a beneficial owner has enrolled in the Dividend Reinvestment Plan, participation continues automatically unless terminated by the participant in accordance with the terms of the Dividend Reinvestment Plan.

### **INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Except as described herein under “Indebtedness of Directors and Executive Officers” and “Compensation of Directors”, no informed person of the Corporation, proposed director, or any associate or affiliate thereof, had a material interest in any transaction since the commencement of the Corporation’s most recent financial year or has a material interest in any proposed transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries.

### **INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON**

Except as described herein, no person who is a director or executive officer, or nominee for election as a director or associate or affiliate of any of them has any material interest, direct or indirect, in any matter to be acted upon at the Meeting other than the election of directors.

### **AVAILABILITY OF DOCUMENTS**

You may request copies of the following documents, at no charge, from the Corporate Secretary, MCAN Mortgage Corporation, 200 King Street West, Suite 600, Toronto, Ontario, M5H 3T4:

1. MCAN’s latest annual information form together with any document, or the pertinent pages of any document, incorporated by reference therein;
2. MCAN’s comparative financial statements for the fiscal year ended December 31, 2015 together with the accompanying report of the auditors thereon and any subsequent interim financial statements and management’s discussion and analysis of operations thereto; and
3. this Circular.

These documents, as well as additional information relating to MCAN, are also available at [www.mcanmortgage.com](http://www.mcanmortgage.com) and on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information regarding MCAN is provided in the Corporation’s comparative annual financial statements and management’s discussion and analysis of operations for the fiscal year ended December 31, 2015.

### **SHAREHOLDER PROPOSALS**

The Act permits certain eligible shareholders to submit shareholder proposals for inclusion in a management proxy circular for an annual meeting of shareholders. Any proposal by an eligible shareholder intended to be presented at the 2017 annual meeting of shareholders should be directed to the attention of the Corporate Secretary of MCAN. In order to be included in the proxy material for that meeting, the proposal must be received at our office at 200 King Street West, Suite 600, Toronto, Ontario, M5H 3T4 by November 28, 2016.

### **DIRECTORS’ APPROVAL**

The Board has approved the contents and sending of this Circular to the shareholders.



William Jandrisits  
Director, President and Chief Executive Officer

**SCHEDULE A**  
**CONDUCT REVIEW, CORPORATE GOVERNANCE**  
**& HUMAN RESOURCES COMMITTEE MANDATE**

**Role**

The primary purpose of the Conduct Review, Corporate Governance & Human Resources Committee (the “Committee”) is to assist the Board in its oversight role with respect to:

1. conflicts of interest, confidential information, complaints of customers, transactions involving related parties;
2. the development of MCAN’s corporate governance policies, practices and processes;
3. identifying qualified candidates and recommending nominees for director appointments;
4. the effectiveness of the Board, its committees, the Chairs of those committees, and the contributions of individual directors; and
5. management succession, development and compensation.

**Composition and Operations**

1. The Committee shall consist of at least three directors appointed annually by the Board.
2. No member of the Committee shall be an officer or employee of MCAN, its subsidiaries or affiliates. Members of the Committee will not be affiliated with MCAN as such term is defined in the *Trust and Loan Companies Act* (Canada) and no member of the Committee will be affiliated with the Caisse, MCAP or any of their respective affiliates.
3. Each member of the Committee shall satisfy the applicable independence and experience requirements of the laws governing MCAN, the applicable stock exchange on which MCAN’s securities are listed, applicable securities regulatory authorities and MCAN’s Director Independence Policy.
4. The Board shall appoint one member of the Committee as the Committee Chair.
5. The Committee shall meet at least quarterly and as many additional times as necessary. The Committee shall report to the Board on its activities, findings and recommendations after each of its meetings.

**Specific Duties**

Conduct Review

1. Annually review MCAN’s Code of Business Conduct & Ethics.
2. Grant any waiver of MCAN’s Code of Business Conduct & Ethics to executive employees and directors as the Committee may in its sole discretion deem appropriate and arrange for any such waiver to be promptly disclosed to the shareholders in accordance with applicable laws or the rules of applicable securities regulatory authorities.
3. Annually review procedures to resolve conflicts of interest, including techniques for the identification of potential conflict situations and for restricting the use of confidential information.
4. Require management to establish procedures for complying with Part XI (Self-Dealing) of the Act (related party transactions).
5. Annually review procedures and their effectiveness in ensuring that MCAN is complying with Part XI.
6. Review MCAN’s practices to ensure that any transactions with related parties of MCAN that may have a material effect on the stability or solvency of MCAN are identified.

7. Review, assess and, where appropriate, approve (i) any material amendments to material agreements currently in place with MCAP; (ii) any proposed new material transactions with MCAP; (iii) any investment, credit facility to, or guarantee in favour of, MCAP; (iv) the status of MCAN's investment in MCAP; (v) letters or directions from OSFI in respect of MCAP/Caisse; and (vi) the solvency and liquidity of MCAP.
8. Ensure that management reviews and assesses, on a regular basis, MCAP's adherence to MCAN policies and procedures in respect of all material functions that are outsourced to MCAP.
9. Ensure that, within 90 days after the end of each financial year, the Board will report to the Superintendent of Financial Institutions on what the Committee did during the previous year in carrying out its responsibilities under items 4 to 6 above.
10. The Committee shall report to the Superintendent of Financial Institutions on the mandate and responsibilities of the Committee and the procedures referred to in item 4 above.
11. Annually review procedures established to provide disclosure of information to MCAN's customers, satisfy itself that the procedures are being followed and for dealing with complaints of customers as required by the *Trust and Loan Companies Act (Canada)*.

#### Corporate Governance

12. Review MCAN's approach to corporate governance matters, the disclosure and reporting thereof, including independence from management and the independence of individual directors in accordance with applicable laws, rules and regulations and MCAN's policies in effect from time to time. The Committee shall annually review MCAN's Director Independence Policy.
13. Annually recommend to the Board appropriate criteria for the selection of new directors, periodically review the criteria adopted by the Board and, where appropriate, recommend to the Board changes to such criteria.
14. At least annually review the directors' selection criteria set out in the Director Skills Matrix, including skills, areas of expertise, backgrounds, independence and qualifications of the members of the Board.
15. Annually review the effectiveness of the Board Diversity Policy and the measurable objectives for achieving board diversity and recommend any changes to the Board.
16. Identify and recommend qualified candidates to the Board, maintain an evergreen list of such candidates, and recommend the nominees for election by shareholders at the annual meeting.
17. Establish an orientation and education program for directors new and ongoing.
18. Annually review the Board Tenure and Renewal Policy and recommend any changes to the Board.
19. Establish Board size and membership of its committees.
20. Approve use by directors of outside advisors at the expense of the company.
21. Establish an insider trading policy for MCAN and monitor compliance.
22. Establish a process for conducting biennial evaluations of the performance and effectiveness of the Chair of the Board, the Board as a whole, of its committees and the contributions of individual directors with the assistance of independent external advisors as required, with the scope and frequency of such external input to be established by the Committee. Report the results of the performance evaluations to the Board.
23. Annually review and assess the position descriptions for the Chair of the Board, the Lead Director and each Committee Chair and recommend any changes to the Board.

24. Annually review and assess the mandates for the Board, each Board Committee and Individual Directors and recommend any changes to the Board.
25. Regularly review MCAN's Articles and By-Laws and recommend any changes to the Board for consideration.

#### Human Resources

26. Annually review and make recommendations to the Board for consideration regarding the CEO's short-term and long-term corporate goals and objectives and performance measurement indicators.
27. Annually evaluate the performance of the CEO considering the position description of the CEO.
28. Recommend annual CEO compensation to the Board.
29. Annually review with the CEO, the position description for the CEO and recommend any changes to the Board.
30. Annually review the corporate goals and objectives relevant to the compensation of the executive employees and make recommendations to the Board.
31. Annually review the recommendations of the CEO concerning overall compensation of the executive (other than the CEO) and non-executive employees of MCAN, its subsidiaries and affiliates and make recommendations to the Board.
32. Every three years commission an independent third party to review executive compensation and to conduct a benchmarking analysis of the executive and oversight functions.
33. Annually review the level of compensation of MCAN's directors, considering peer practices and the duties and responsibilities of the directors, and recommend any changes to the Board.
34. Annually review the level of compensation of the Chair of the Board, considering peer practices and the duties and responsibilities of the Chair of the Board and recommend any changes to the Board.
35. Annually review the succession plan for the executive employees, including the effectiveness of the Executive Officer Diversity Policy and the measurable objectives for achieving diversity and recommend any changes to the Board.

#### Oversight of the Compliance Function

36. Review at least annually and recommend to the Board MCAN's Regulatory Compliance Management Framework and oversee processes established by management to deal with MCAN's compliance with legislation and satisfy itself that the policies and processes are being adhered to.
37. Ensure an annual review of the mandate of the Chief Compliance Officer.
38. At least annually, review the budget, structure and resources of the Compliance function.
39. Ensure an annual performance evaluation of the Chief Compliance Officer and assess the effectiveness of the Chief Compliance Officer.
40. Review the results of periodic independent reviews of the Compliance function.
41. At least quarterly, meet separately with the Chief Compliance Officer and report to the Board thereon.

#### Oversight of the Anti-Money Laundering and Anti-Terrorist Financing Program ("AML/ATF Program")

42. Review at least annually and recommend to the Board MCAN's Anti-Money Laundering and Anti-Terrorist Financing Policy ("AML Policy").

43. Review at least quarterly the Chief Anti-Money Laundering Officer's report on the AML/ATF Program, which will include a report on the overall effectiveness of the AML/ATF Program and MCAN's compliance with the AML Policy.
44. Review the Chief Audit Officer's report on the results of the testing of the effectiveness of the AML/ATF Program as per internal audit's cycle of audits.
45. Annually review and recommend to the Board the Responsible Persons Assessment Policy required pursuant to OSFI Guideline E-17, and satisfy itself that the processes are being implemented.

Other

46. Review correspondence with regulators and governmental agencies including OSFI, CDIC and any provincial notices of violation.
47. Discuss at least quarterly any legal matters that may have a material impact on the operations of the Corporation.
48. At the discretion of the Committee, retain, oversee, compensate and terminate independent advisors to assist the Committee in its activities.
49. Carry out any other appropriate duties and responsibilities assigned by the Board.

Approved: February 26, 2016

## **SCHEDULE B RISK COMMITTEE MANDATE**

### **Role**

The primary purpose of the Risk Committee (the “Committee”) is to assist the Board in its oversight role with respect to:

1. reviewing and recommending Board approval of MCAN’s overall risk appetite framework, risk appetite statement and risk tolerance limits;
2. identifying MCAN’s key business risks;
3. reviewing and recommending MCAN’s risk policies;
4. ensuring the effectiveness of MCAN’s risk management practices;
5. reviewing and recommending Board approval of MCAN’s Residential Mortgage Underwriting Policy (“RMUP”), Construction Loan Underwriting Policy (“CLUP”), Commercial Term Mortgage Underwriting Policy (“CTMUP”) and Investment Policy;
6. ensuring the effectiveness of MCAN’s investment practices; and
7. approval of exceptions and/or specific transactions as required by the Company’s underwriting policies.

### **Composition and Operations**

1. The Committee shall consist of at least three directors appointed annually by the Board. The majority of the directors shall have knowledge and experience in the risk management of regulated financial institutions.
2. No member of the Committee shall be an officer or employee of MCAN, its subsidiaries or affiliates. A majority of the members of the Committee will be independent in accordance with the requirements of laws governing MCAN, the applicable stock exchange on which MCAN’s securities are listed, applicable securities regulatory authorities and MCAN’s Director Independence Policy and will not be affiliated with MCAN as such term is defined in the Trust and Loan Companies Act (Canada).
3. Each member of the Committee shall satisfy the applicable experience requirements of the laws governing MCAN, the applicable stock exchange on which MCAN’s securities are listed and applicable securities regulatory authorities.
4. The Board shall appoint one member of the Committee as the Committee Chair.
5. The Committee shall meet at least quarterly and as many additional times as considered necessary. The Committee shall report to the Board on its activities, findings and recommendations after each of its meetings.

### **Specific Duties**

#### Risk Management

1. Review at least annually and recommend to the Board the Enterprise Risk Management Framework which describes the nature of the risks, including emerging risks, to MCAN’s business strategy and operations; how MCAN defines the types of risk it is exposed to; how MCAN manages its risks through processes that identify, measure, assess (including the related risk assessment criteria), control and monitor risk, as well as other related risk management frameworks, policies and procedures recommended by MCAN’s management.
2. Review management’s reports demonstrating the effectiveness of and compliance with the risk management policies and procedures.
3. Review at least annually and recommend to the Board the risk appetite framework, risk appetite statement and risk-based capital requirements.
4. Review the inherent and residual risks of potential changes to MCAN’s strategy and material transactions that are being proposed by MCAN.

5. Review, on a quarterly basis or more frequently as required, management status reports on the effectiveness of any risk mitigation plans that have been implemented in response to identified non-compliance issues with prescribed risk control policies or risk tolerance limits.
6. Review and monitor any issues raised by internal audit or any regulatory agency regarding the effectiveness of the risk management control environment, including management's responses and recommendations.
7. Review and recommend to the Board MCAN's Internal Capital Adequacy Assessment Process ("ICAAP").
8. Review and recommend to the Board the Operational Risk Management Policy.
9. Review at least annually and recommend to the Board the New Products and Initiatives Policy.
10. Review at least annually and recommend to the Board the Business Continuity Management Policy.
11. Review at least annually and recommend to the Board the Outsourcing Policy.
12. Review at least annually the adequacy of MCAN's insurance, in particular its employee bonding, errors and omissions and directors and officers coverage.

#### Oversight of the Chief Risk Officer

13. At least quarterly, obtain and review a report from the Chief Risk Officer regarding MCAN's enterprise risk management position; effectiveness of risk management practices and control; key current and emerging risks facing business activities; risk mitigation plan and strategy; compliance with the risk appetite framework and underwriting policies and procedures.
14. Together with the Conduct Review, Corporate Governance & Human Resources Committee, ensure an annual review of the mandate of the Chief Risk Officer.
15. At least annually review the budget, structure and resources of the Chief Risk Officer.
16. Together with the Conduct Review, Corporate Governance & Human Resources Committee, ensure an annual performance evaluation of the Chief Risk Officer and assess the effectiveness of the Chief Risk Officer.
17. Review the results of periodic independent reviews of the Risk function.
18. At least quarterly, meet separately with the Chief Risk Officer to assess the adequacy and effectiveness of MCAN's Risk function and report to the Board thereon.

#### Investment Policies & Practices

19. At least annually review and recommend to the Board for approval MCAN's RMUP, CLUP, CTMUP and Investment Policy.
20. Recommend to the Board changes to the RMUP, CLUP, CTMUP and Investment Policy as the Committee, from time to time, considers necessary to meet changes in the investment climate.
21. Review at least annually and recommend to the Board for approval the Equity Funded Investment Strategy.
22. At least annually review and approve MCAN's asset mix strategy and risk rating guidelines. Review and monitor quarterly adherence to this strategy and the risk profile of the investment portfolio.
23. Monitor investment practices of any subsidiary and every joint venture/partnership in which MCAN is a participant to ensure adherence to prudent investment standards.

24. Review quarterly MCAN's compliance with the financial, investment and related filing requirements of the Trust and Loan Companies Act (Canada), the Income Tax Act and MCAN's RMUP, CLUP, CTMUP and Investment Policy.
25. Review quarterly MCAN's exposure to changes in interest rates, interest rate spreads and gaps, funding strategy and sources, and liquidity position and outlook.
26. At least quarterly review compliance with MCAN's Capital Management Policy.
27. At least quarterly review and comment on investment summaries for new loan facilities and other investments over \$5 million, as well as annual status updates prepared on the anniversary date for all such loans and investments outstanding.
28. Review quarterly specific and general loan loss reserves. Approve all new specific reserves in excess of \$500,000 and all reserve reversals.
29. Review quarterly the arrears and non-performing loans.
30. Review quarterly the marketable securities and money market investments against investment policies and limits.
31. Appoint annually a Capital Commitments Committee ("CCC") and an Asset/Liability Committee ("ALCO") and delegate authorities as deemed appropriate to implement and manage the RMUP, CLUP, CTMUP and Investment Policy.
32. Review annually and recommend to the Board for approval the Collective Allowance Policy.
33. At least annually review and recommend to the Board the Liquidity Risk Management Framework and ensure quarterly testing.
34. At least quarterly review and assess the investment and related risks of any securitization programs MCAN may participate in.
35. Review and recommend to the Board any banking facilities and other financing facilities as MCAN may, from time to time, require.

#### Oversight of the Chief Investment Officer

36. At least quarterly obtain and review a report from the Chief Investment Officer regarding the management of MCAN's investments (securitization and corporate); key business risks that might affect the attainment of MCAN's objectives; compliance with the Risk Appetite Framework and underwriting policies and procedures.
37. Together with the Conduct Review, Corporate Governance & Human Resources Committee, ensure an annual review of the mandate of the Chief Investment Officer.
38. At least annually review the budget, structure and resources of the Chief Investment Officer.
39. Together with the Conduct Review, Corporate Governance & Human Resources Committee, ensure an annual performance evaluation of the Chief Investment Officer and assess the effectiveness of the Chief Investment Officer.
40. Review the results of periodic independent reviews of the Investment function.
41. At least quarterly, meet separately with the Chief Investment Officer to assess the adequacy and effectiveness of MCAN's Investment function and report to the Board thereon.

#### Oversight of Vice President, Operations

42. At least quarterly obtain and review a report from the Vice President, Operations, on the Term Deposits portfolio.
43. At least annually, review and discuss with the Vice President, Operations, material risks associated with MCAN's businesses and operations, emerging risk issues and compliance with the risk limits and policies and procedures established with a view to assessing overall adherence to MCAN's risk appetite and report to the Board thereon.
44. Together with the Conduct Review, Corporate Governance & Human Resources Committee, ensure an annual review of the mandate of the Vice President, Operations.
45. At least annually review the budget, structure and resources of the Vice President, Operations.
46. Together with the Conduct Review, Corporate Governance & Human Resources Committee, ensure an annual performance evaluation of the Vice President, Operations and assess the effectiveness of the Vice President, Operations.
47. Review the results of periodic independent reviews of the Operations function.
48. As required, meet separately with the Vice President, Operations, to assess the adequacy and effectiveness of MCAN's Operations function and report to the Board thereon.

#### Other

49. Together with the Conduct Review, Corporate Governance & Human Resources Committee, ensure an annual review of the Committee mandate.
50. Carry out any other duties and responsibilities assigned by the Board.

Approved: February 26, 2016

**SCHEDULE C**  
**ENTERPRISE RISK MANAGEMENT AD HOC COMMITTEE MANDATE**

**Role**

The primary purpose of the Enterprise Risk Management Ad Hoc Committee (the “Committee”) is to:

1. oversee the progress of any Risk Management initiatives;
2. oversee the progress of the Internal Capital Adequacy Assessment Process (“ICAAP”); and
3. provide support and guidance where necessary to management.

**Composition and Operations**

1. The Committee shall consist of four directors appointed annually by the Board.
2. A majority of the members of the Committee will not be officers or employees of MCAN, its subsidiaries or affiliates. The Board, at its discretion, will determine the number of independent and affiliated members of the Committee.
3. The Board shall appoint one non-management member of the Committee as the Committee Chair.
4. The Committee shall meet at least once a year and as many additional times as deemed necessary by the Committee Chair and the Chief Risk Officer. The Committee shall report to the Board on its activities, findings and recommendations after each of its meetings, either directly or through the Risk Committee

**Specific Duties**

1. Provide direct oversight in the development and challenge of MCAN’s Risk Appetite Framework and recommend any changes to the Board for approval, either directly or through the Risk Committee, at least annually.
2. Provide direct oversight in the development and challenge of MCAN’s ICAAP and recommend any changes to the Board for approval, either directly or through the Risk Committee, at least annually.

**Other**

1. At the discretion of the Committee, retain, oversee, compensate and terminate independent advisors to assist the Committee in its activities.
2. Carry out any other appropriate duties and responsibilities assigned by the Board.

Approved: February 26, 2016

## **SCHEDULE D**

### **STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

The Board and management believe that a strong, effective, independent Board plays a crucial role in protecting the interests of MCAN's stakeholders. The Board is committed to meeting high standards of corporate governance in all aspects of MCAN's affairs. MCAN's corporate governance practices are regulated on a number of levels and by many different parties. Management believes that MCAN's corporate governance practices meet or exceed the standards set out in the Act and the guidelines of the Canadian Securities Administrators (the "CSA").

In order for the directors to appropriately discharge their responsibilities for stewardship of MCAN, the Board has adopted formal mandates for MCAN's directors and officers, each committee of the Board, each committee chair, the Chair of the Board, the Lead Director and the President and CEO. The Board does not have an Executive Committee.

Under the Act, the minimum board size is seven. MCAN's Board consists of nine directors. In our opinion, the Board is large enough to ensure active and meaningful participation by its members and to provide a diverse range of skill and expertise. The CRCG&HR Committee serves as a nominating committee for the Board.

Board compensation is reviewed annually to ensure that it is appropriate in relation to responsibilities and risks involved, and comparable to that of MCAN's peer group. Any legitimate concerns raised by shareholders are brought to the attention of MCAN's senior executives and, depending on the materiality of the concern, the President and CEO, the Chair of the Board (and, if applicable, the Lead Director) and the Board.

#### **Position Descriptions**

##### **Chair of the Board and Lead Director**

The Chair of the Board, Mr. Ian Sutherland, is a non-independent director within the meaning of NP 58-201 and MCAN's Director Independence Policy. As such, Ms. Susan Doré has been appointed Lead Director.

The Lead Director is responsible for leading the Board in consideration of any issue where it is determined that the Chair of the Board is not independent, the Chair of the Board has a conflict or in the absence of the Chair of the Board.

The Lead Director is appointed by the independent members of the Board each year and has the following specific responsibilities:

- Providing leadership to the Board in discharging the Board Mandate, including assisting the Chair of the Board in promoting an understanding by the members of the Board of their duties and responsibilities.
- Being the liaison between the members of the Board and management, promoting open and constructive discussions between them.
- Assisting the Chair of the Board in promoting the proper flow of information to members of the Board to keep the members of the Board fully apprised of all matters which are material to members of the Board at all times.
- Presiding over meetings of the independent members of the Board and communicating to the CEO, as appropriate, the results thereof.
- Presiding over meetings of the members of the Board when the Chair of the Board is absent.
- Ensuring that the independent members of the Board have adequate opportunities to meet without management present.
- Presiding over meetings of MCAN's shareholders when the Chair of the Board is absent.
- Carrying out any other appropriate duties and responsibilities assigned by the Board.

The Chair of the Board is charged with the responsibility of managing the affairs and the development and effective functioning of the Board, providing effective leadership to the Board in the governance of MCAN. The Chair also

sets the tone for the Board and its members to foster ethical and responsible decision-making, appropriate oversight of management and efficient corporate governance practices. The Chair of the Board leads the Board in ensuring appropriate tone from the top in fostering financial soundness and regulatory compliance, acts in an advisory capacity on behalf of the Board to the President and CEO, manages the relationships between management and the Board and assists in managing shareholder engagement.

The Chair of the Board is appointed by the Board each year and has the following specific responsibilities:

- Chairs Board meetings and ensures that Board functions are effectively carried out.
- Ensures that Board and Board Committee meetings are conducted in an efficient, effective and focused manner.
- In consultation with the CEO and the Corporate Secretary, and the relevant Committee Chair in relation to Board Committee meetings, establishes annually, in advance, the annual schedule of Board and Board Committee meetings.
- Consulting with Directors as appropriate, and working closely with the CEO and the Corporate Secretary, develops the agenda and priorities for Board meetings and related events.
- Co-ordinates with the CEO and the Corporate Secretary to ensure the Board receives the appropriate quantity and quality of information in a timely fashion to enable it to make informed decisions.
- Ensures that sufficient time is allotted during Board meetings for the effective discussion of agenda items and key issues and concerns.
- Communicates with the Board to keep it up to date on major Board developments, including timely discussion of potential developments.
- Facilitates the candid and full discussion of all key matters that come before the Board.
- Facilitates the ongoing formal and informal communication with and among directors.
- Builds consensus, fosters effectiveness and develops teamwork within the Board.
- With the Lead Director, ensures that the Board operates independently from management, including meeting without management and the non-independent directors at least quarterly.
- In consultation with the CRCG&HR Committee and taking into account the preferences, skills and experience of each Director, makes recommendations as to committee membership and committee Chairs, for approval by the CRCG&HR Committee and the Board.
- Recommends the formation of committees for approval by the Board and facilitates the integration of the committees' activities with the work of the Board.
- Provides high-level advice and guidance to committee Chairs.
- Attends committee meetings, if available.
- Works with directors and CRCG&HR Committee to ensure that director orientation and development programs meet the needs of the Board.
- Leads the assessment of Board members with the assistance of the Chair of the CRCG&HR Committee.
- Works with the Board and the CRCG&HR Committee regarding Board Chair succession planning.
- Provides leadership to the Board in carrying out its responsibilities to shareholders.
- Chairs meetings of the shareholders.
- Where appropriate, represents the Corporation to major stakeholders, including regulatory and governmental authorities, policyholders, shareholders and the financial community. Acts as spokesperson of the Corporation recognizing that the CEO is normally the chief spokesperson.
- Facilitates the Board's efforts in establishing practices to respond to feedback from shareholders and other stakeholders.

- In consultation with management, responds to shareholder concerns regarding governance issues or other issues relating to the Board.
- As required, represents MCAN's interest on the board of the general partner of MCAP Commercial LP, its subsidiaries and affiliates.
- Works with the CEO to ensure management strategies, plans and performance are appropriately represented to the Board for review and approval.
- Ensures that the concerns, opinions and recommendations of the Board are communicated to the CEO.
- Leads the assessment of the CEO, with the assistance of the Chair of the CRCG&HR Committee.
- Facilitates effective communication between directors and management, both inside and outside of meetings of the Board.
- Has unrestricted access to management.
- Performs such other functions as may be necessary or appropriate in the circumstances as delegated by the Board.

### *Committee Chairs*

The Chairs of the Audit Committee, CRCG&HR Committee, Risk Committee and ERM Ad Hoc Committee all have written position descriptions. Their accountabilities and responsibilities include:

- Ensuring that the responsibilities and duties of the committee, as outlined in its mandate, are well understood and effectively executed by the committee members.
- Chairing all committee meetings, including in camera sessions – in the absence of the committee Chair, the other members shall appoint a committee member to chair the meeting.
- Ensuring that the committee meets at least quarterly and as many additional times as necessary to carry out its duties effectively.
- Promoting proper flow of information to the other members of the committee to ensure they are apprised of all matters material to MCAN.
- Setting the meeting agenda with input from other committee members, the Chair of the Board, the Chief Executive Officer, the Secretary and other executive officers as appropriate.
- Ensuring that sufficient time is allotted during committee meetings for the effective discussion of agenda items and key issues and concerns.
- Reporting to the Board on the activities, findings and any recommendations of the committee and acting as liaison between the committee and the Board.
- Dealing effectively with dissent and working constructively towards arriving at decisions and achieving consensus.
- Coordinating with the committee to retain, oversee, compensate and terminate independent advisors/counsel to assist the committee in its activities.
- Ensuring that, together with the CRCG&HR Committee, performance evaluations of the committee are conducted biennially.
- Ensuring that the committee Chair mandate and the committee mandate are reviewed annually and any recommendations for improvement or compliance be provided to the Board.

In addition, the Chair of the Audit Committee is responsible for:

- Ensuring that the committee meets in closed sessions with the Chief Financial Officer, the Chief Audit Officer and the independent auditors.
- Meeting at least annually with the audit partner to discuss the engagement.
- Within the limits set by the committee, pre-approving any permitted services to be performed by the independent auditors which have not been approved by the committee.
- Meeting periodically throughout the year with the Chief Audit Officer to review and discuss audit and control environment matters.
- Acting as liaison between the committee and MCAN management, Chief Audit Officer, independent auditors and facilitate and foster constructive communication between them.

The Chair of the CRCG&HR Committee is responsible for:

- Ensuring that the CRCG&HR Committee meets in closed sessions with the Chief Compliance Officer.
- Ensuring that a performance evaluation of the CEO is conducted annually.
- Ensuring that the Chair of the Board, Board, committees, peer and self performance evaluations are conducted biennially.

The Chair of the Risk Committee is responsible for:

- Ensuring that the CRCG&HR Committee meets in closed sessions with the Chief Risk Officer and the Chief Investment Officer, and, as required with the Vice President, Operations.

### CEO

The CEO's Role Profile and Mandate is developed with input from the CEO and is approved by the Board on the recommendation of the CRCG&HR Committee. This position has primary responsibility for all aspects of the Corporation's operations and presides over and directs the entire range of activities of the Corporation within the authority delegated by the Board. The position ensures compliance with applicable regulations and laws.

The key responsibilities are as follows:

#### Planning and Operations

- Develop and recommend to the Board strategic plans that are in the interests of all stakeholders. At least annually, present the Company's strategic, financial and capital plans as well as the risk appetite statement to the Board for review and approval.
- Oversee the development and implementation of business plans, operational requirements, staffing and budgets to support the strategic plan.
- Ensure the development and delivery of appropriate compensation plans for the employees of the Company, which encourage commitment to the success of the Company and which align the interests of all stakeholders.
- Ensure succession plans are in place for key personnel.
- Consult with the Chairman on strategic matters and regularly provide updates on the status of strategic initiatives.

#### Leadership

- Provide overall leadership and direction to the Company consistent with the values, vision and mission of the Company.

- Champion the Company’s values, culture and the assessment and development of management and staff throughout the organization.
- Provide strategic guidance to management and to the Board.
- Ensure compliance with applicable regulations and laws.

#### Governance

- Ensure the development of policies, procedures and reporting systems to ensure compliance with regulatory and legislative requirements applicable to MCAN (or the Company) and its subsidiaries, including without limitation, OSFI, CDIC, TSX, IIROC, OSC, CSA, CICA, etc.
- Ensure that the Board is provided with timely and accurate information that enables oversight of the operation of the Company, including strategic, financial and operational control perspectives.
- Chair of the Executive Committee, Management Committee, Operating Committee and Capital Commitments Committee.
- Actively participates in management committees, including but not limited to the Executive Committee, Management Committee Operating Committee, Capital Commitments Committee, ALCO, Disclosure Committee, CAERM, Liquidity (Treasury) and IT Steering Committee.

#### Risk Management

- Provide the Board assurance that the proper systems are in place to identify and manage business risks and that such risks are acceptable to the Company.
- Ensure the accuracy, completeness, integrity and appropriate disclosure of the Company’s financial statements and other financial information through appropriate policies and procedures.
- Establish and maintain the Company’s disclosure controls and procedures through appropriate policies and procedures.
- Oversee the establishment and maintenance of the Company’s internal control over financial reporting through appropriate policies and procedures.
- Ensure that the Company has complied with all regulatory requirements for its financial information, reporting, disclosure requirement and internal control over financial reporting.
- Provide required regulatory certifications regarding the Company and its activities.
- Ensure appropriate policies and procedures of the Company are developed, maintained and disclosed.
- Provide oversight of the investing and funding activities of the Company as Chair of Executive Committee, Operating Committee and Capital Commitments Committee.

#### Disclosure

- Serves as the chief spokesperson and principal liaison for the Company, including effectively managing relations with the Company’s shareholders, customers, creditors, suppliers, the media, governments, non-government organizations and the public generally.
- Ensures appropriate and timely disclosure of material information, as needed and in concert with the Disclosure Committee, the Disclosure Committee Coordinator and other members of Management.

#### **Orientation and Continuing Education**

MCAN grants each director access to a web portal that contains a Directors’ Manual which includes information on Board and committee membership; the director independence policy; duties of directors; committee mandates; mandates of the Chair of the Board, the Lead Director, each committee chair and the President and CEO; the code of business conduct & ethics; insider trading policy; the Corporation’s by-laws; and director orientation and training material. The web portal also houses previous board and committee meeting packages.

In addition, new directors are granted access to a web portal that contains all the Corporation's policies. New directors are directed to the recent annual and quarterly financial reports, including management's discussion and analysis and the Annual Information Form on SEDAR or on the Corporation's web site. MCAN also provides new directors with specific information on operations, the strategic plan, risk and risk management, governance, integrity and corporate values and new directors are provided the opportunity to meet with senior management. Separate orientation sessions are held and include presentations on MCAN's capital history, approval processes for single family and construction loans, the daily, monthly and annual processes for the deposit gathering business, Asset Liability Committee review, and review of securitization activities. Depending on the timing of the appointment, a new director may also be invited to attend MCAN's strategic planning session.

On an ongoing basis, as part of regular Board meetings, presentations are made to the Board to educate and keep them informed of changes within MCAN and in regulatory and industry requirements and standards. Specific information is provided on risks, economic indicators specific to our business, i.e. interest rates, and the current business and commercial environment. In an effort to provide directors with a more complete understanding of the issues facing MCAN, directors are encouraged to attend other Board committee meetings of which they are not a member (subject to conflict of interest obligations of the relevant director). Directors are also provided with the materials and minutes of all Board committee meetings, irrespective of whether they are a member of the committee. In addition, separate sessions, if required, are held for the directors to better understand specific programs. Directors are also encouraged to undertake training and attend education sessions from outside sources if they deem it necessary. To commit to stellar board leadership, MCAN has been a member of the Institute of Corporate Directors since 2014. Through continuing education, tools and resources, thought leadership and advocacy, MCAN's Board now has the opportunity to leverage and translate a wealth of shared wisdom into the highest standard of directorship.

### **Ethical Business Conduct**

The Code of Business Conduct & Ethics (the "Code") has been adopted by the Board and is available on our website at [www.mcanmortgage.com](http://www.mcanmortgage.com), on SEDAR at [www.sedar.com](http://www.sedar.com) or by request to the Corporate Secretary by telephone at (416) 591-5214 or by facsimile at (416) 598-4142.

Under MCAN's Code, all directors, officers and employees must demonstrate a commitment to ethical business practices and behaviour in all business relationships, both within and outside of MCAN. Each year, directors, officers and employees must execute a declaration certifying compliance with the Code. The Board, through its CRCG&HR Committee, annually reviews the operation of the Code and monitors compliance and any waivers or amendments thereof.

The Board has not granted any waiver of the Code in favour of a director or executive officer for the past 12 months or for all of 2015. Accordingly, no material change report relating to the conduct of a director or executive officer has been required or filed. The Code also contains whistleblower procedures that allow officers or employees who become aware of an actual or potential breach of the Code, or who have concerns regarding questionable accounting or auditing matters, to report the violation on a confidential and anonymous basis to the Chair of the Audit Committee.

The Board believes that its effectiveness is furthered when directors exercise independent judgement in considering transactions and agreements. As such, if at any Board meeting a director has a material interest in a matter being considered, such director must indicate the nature and extent of interest in the material transaction or agreement and such interest must be recorded in the minutes of the meeting. The director will either vacate the meeting or abstain from any discussions relating to the matter and not participate in any vote on the matter. The Board may also appoint a committee of independent directors to consider material transactions or agreements.

### **Nomination of Directors**

The CRCG&HR Committee, which is comprised entirely of four independent directors pursuant to NP 58-201 and MCAN's Director Independence Policy, is responsible for screening candidates and for recommending nominees for election to the Board. Candidates are approved by the full Board.

The CRCG&HR Committee considers candidates from an "evergreen" list maintained by the CRCG&HR Committee in anticipation of upcoming director elections and when Board vacancies occur; as proposed by other

directors and/or executive management; and as proposed or nominated by shareholders prior to shareholder meetings in accordance with MCAN's advance notice provisions for the nomination of directors.

Once proposed, a prospective director must complete a questionnaire entitled "Questionnaire for Prospective Directors" for review by the CRCG&HR Committee. The prospective director then proceeds to the next step of evaluation, which is normally an in person interview with members of the CRCG&HR Committee, and, at the CRCG&HR Committee's discretion, with other members of the Board.

The CRCG&HR Committee then makes a recommendation to the board, which recommendation is accompanied by the "Conduct Review, Corporate Governance & Human Resources Committee – Prospective Director Review Form".

### **Board Assessments**

The CRCG&HR Committee leads a full evaluation of the effectiveness and performance of the Board, all Board committees and individual directors every two years. In February 2014, it was agreed that the current process of assessing board performance based on the completion of questionnaires by directors, which had been in place for several years, needed to be refreshed either by incorporating interviews of individual directors and/or by the assistance of independent external advisors.

The CRCG&HR Committee concluded that the self-assessment process for 2014 should incorporate director interviews conducted by the Board chair and the chair of the CRCG&HR Committee rather than the completion of questionnaires. Review of the Board chair was considered to be part of the board review process and would be conducted accordingly.

In November 2014, director interviews were conducted by the Board chair and the chair of the CRCG&HR Committee based on a director interview guide. The results were presented to the Board in February 2015. The results indicated that the Board chair, the Board, committees, committee chairs and individual directors were effectively fulfilling their responsibilities.

An external review will be considered prior to the next set of Board assessments scheduled to be conducted in December 2016.

### **Board Tenure and Renewal**

The Board has adopted a Board Tenure and Renewal Policy (the "**Policy**") to ensure ongoing Board renewal, sustain Board performance and add expertise. According to the Policy, directors may serve until the earlier of when they turn 70 years of age or they have served 15 years. However, all directors will be allowed to serve for at least five years, regardless of their age, subject to annual review by the Board. The Policy allows for the Board to recommend any director for re-election after age 70 or the expiry of the 15 year term, in exceptional circumstances and to further the best interest of the Corporation.

An officer will resign from the Board when no longer employed by the Corporation. However, the Board may request a former CEO to continue as a director for a term not longer than five years in exceptional circumstances.

The CRCG&HR Committee reviews, on an annual basis, the tenure of individual directors. This review includes:

- a skills matrix to ensure the Board possesses the requisite experience, expertise and business and operational insights for the effective stewardship of the Corporation; and
- a Board succession template that indicates the years of service, with suggested retirement dates.

In addition, to ensure adequate board renewal, the CRCG&HR Committee is responsible for leading a full evaluation of the effectiveness and performance of the Board, all Board committees and individual directors every two years. Assessments include director interviews conducted by the Board chair and the chair of the CRCG&HR Committee based on a director interview guide. The results of the assessments are presented to the Board with any recommendations for improving the composition of the Board.

The CRCG&HR Committee monitors and implements the Policy and reports to the Board. In addition, the CRCG&GR Committee reviews the Policy annually, discusses any revisions that may be required and recommends any such revisions to the Board for approval.

The chart below shows the amount of time that the nine director nominees for election at the 2016 Meeting have been on MCAN's Board:

0-5 years	44% (4 of 9)
6-10 years	33% (3 of 9)
11-15 years	11% (1 of 9)
Over 16 years	11% (1 of 9)

### **Board Diversity**

The Board has adopted a Board Diversity Policy (the “**Diversity Policy**”) that sets out the approach to diversity on the Corporation's Board.

The Corporation believes that a diverse board will enhance the decision making of the Board by utilizing the different skills, experience and background, geographical and industry experience, ethnicity, gender, knowledge and length of services, and other distinguishing qualities of the members of the Board. Diversity will be considered in determining the optimum composition of the Board, and all appointments will be based on merit, having due regard to the overall effectiveness of the Board.

The CRCG&HR Committee is responsible for annually reviewing and assessing Board composition on behalf of the Board and will make recommendations to the Board on the appointment of new directors.

- In reviewing Board composition, the Committee will consider the benefits of all aspects of diversity including, but not limited to, those described above, in order to enable it to discharge its duties and responsibilities effectively.
- In identifying suitable candidates for appointment to the Board, the Committee will consider candidates on merit using objective criteria and with due regard for the benefits of diversity on the Board. In an effort to promote the specific objective of gender diversity, the Diversity Policy requires that the selection process for suitable candidates must involve the following steps:
  - a list identifying potential candidates for the appointment must be compiled and must include at least one female candidate; and
  - if, at the end of the selection process, a female candidate is not selected, the Board must be satisfied that there are objective reasons to support its determination.
- As part of the biennial performance evaluation of the effectiveness of the Board, Board Committees and individual directors, the Committee will consider the balance of skills, experience, independence and knowledge of the Company on the Board and the diversity representation of the Board, including gender, how the Board works together as a unit, and other factors relevant to its effectiveness.

The CRCG&HR Committee will discuss and agree annually on all measurable objectives for promoting diversity on the Board, recommend them to the Board for adoption and report on the annual and cumulative progress for achieving the measurable objectives.

The CRCG&HR Committee will monitor and implement the Diversity Policy on a continuous basis and report to the Board annually on the achievement of the measurable objectives for promoting diversity. In addition, the CRCG&HR Committee will review the Diversity Policy annually, discuss any revisions that may be required and recommend any such revisions to the Board for approval.

The following table sets out the number and percentage of women who serve as directors on MCAN's Board:

	Target	# of Women on Board	Total # of Board Members	%
<b>2016</b>	30%	3	9	33%
<b>2015</b>	30%	3	9	33%

### Executive Officer Diversity

The Board adopted an Executive Officer Diversity Policy (the “**EO Diversity Policy**”) that sets out the Corporation’s approach to diversity in executive officer roles.

The EO Diversity Policy applies to executive officers including the President & Chief Executive Officer, Vice President & Chief Financial Officer, Vice President & Chief Risk Officer, Vice President & Chief Investment Officer, Vice President, Operations, Chief Audit Officer, Chief Compliance Officer, and any other executive officers of the Corporation that the Board may from time to time appoint.

While the Corporation appreciates that diversity, including gender, age and ethnicity, are important and valuable considerations in assessing executive officers, other factors such as performance, qualifications, capabilities and experience are considered when choosing and recruiting executive officers. The best candidate whose portfolio of skills is most suited for the position is selected and no one aspect of diversity, including gender, is the decisive factor.

The CRCG&HR Committee oversees succession planning on behalf of the Board and will make recommendations to the Board on the appointment of executive officers, taking into account other aspects of diversity, including gender.

- In reviewing the succession plan for the executive officers, the CRCG&HR Committee will consider the benefits of all aspects of diversity, including, but not limited to, those described above.
- The CRCG&HR Committee will also consider candidates on merit based on performance, qualifications, capabilities and experience and with due regard for the benefits of diversity. In an effort to promote the specific objective of gender diversity, the Policy requires that the succession plan for executive officers must involve the following steps:
  - a list identifying potential candidates for executive officer appointments must be compiled and must include at least one female candidate; and
  - if, at the end of the selection process, a female candidate is not selected, the Committee must be satisfied that gender was not the decisive factor and that proper consideration was given in the decision making to the CRCG&HR Committee’s objective of enhancing diversity among the executive officers.

The CRCG&HR Committee will monitor and implement this Policy and report to the Board thereon. In addition, the CRCG&HR Committee will review the Policy annually, discuss any revisions that may be required and recommend any such revisions to the Board for approval.

The following table sets out the number and percentage of women who serve as executive officers at MCAN:

	Target by 2020	# of Women Executive Officers	Total # of Executive Officers	%
<b>2016</b>	25%	2	9	22%
<b>2015</b>	25%	1	7	14%

## **SCHEDULE E BOARD MANDATE**

### **Role**

The Board of Directors (the “**Board**”) is responsible for the stewardship of MCAN and for supervising the management of the business and affairs of the organization.

The Board shall, either directly or through a Board committee, carry out the duties set out in this Mandate.

### **Membership and Operations**

1. The composition and organization of the Board, including the number, qualifications and remuneration of directors; the independence of directors; the number of Board meetings; Canadian residency requirements; quorum requirements; meeting procedures and notices of meetings are as established by the governing legislation and MCAN’s by-laws and policies in effect from time to time.
2. A majority of the directors shall be resident Canadians, shall be independent in accordance with the requirements of laws governing MCAN, the applicable stock exchange on which MCAN’s securities are listed, applicable securities regulatory authorities and MCAN’s Director Independence Policy, and no more than two-thirds of the directors shall be “affiliated” with MCAN for the purpose of the *Trust and Loan Companies Act* (Canada).
3. Each member of the Board shall satisfy the applicable experience requirements of laws governing MCAN, the applicable stock exchange on which MCAN’s securities are listed and applicable securities regulatory authorities.
4. The Board shall meet at least five times in each year, a majority of directors shall constitute a quorum at any meeting of the Board, and a majority of directors participating in any meeting shall be resident Canadians.

### **Responsibilities and Duties**

#### Culture of Integrity and Ethics

1. Promote a culture of integrity at MCAN. The Board shall satisfy itself as to the integrity of the Chief Executive Officer (the “CEO”) and the executive officers, and that the CEO and executive officers create a culture of integrity throughout MCAN.
2. Approve MCAN’s Code of Business Conduct & Ethics (the “Code”) and monitor compliance thereof. Any waivers from the Code for the benefit of any director or executive officer must be approved by the Board.
3. Approve policies and procedures for dealing with all matters related to integrity and ethics, including conflicts of interest, related party transactions and the treatment of confidential information.

#### Strategic Planning

4. Develop and adopt MCAN’s strategic planning process and annually approve a strategic plan which takes into account, among other things, the opportunities and risks of MCAN’s business.
5. Approve all major corporate decisions and strategic initiatives.
6. Review and approve MCAN’s financial objectives, plans and actions, including liquidity, funding, capital issuances, capital allocations and expenditures, the declaration of dividends and the Capital Management Policy.

### Risk Management and Compliance

7. Ensure an effective risk culture by overseeing the implementation, by management, of appropriate systems to identify, quantify and manage the principal risks of MCAN's business. Receive regular updates from management on the status of the principal risks and management activities and initiatives.
8. Ensure risk management controls are appropriate and regularly assessed for effectiveness.
9. Review at least annually and approve as required the risk appetite framework and risk-based capital requirements and approve the appropriate capital level for risk.
10. Review and approve MCAN's Internal Capital Adequacy Assessment Process ("ICAAP").
11. Oversee the policies and processes to identify and ensure compliance with applicable legal and regulatory requirements.

### Succession Planning

12. Oversee and approve the selection, appointment, development, evaluation and compensation of the Chair of the Board, Lead Director, Board members, the CEO, executive (including the heads of MCAN's oversight functions) and non-executive officers.
13. Review and approve the establishment of annual performance targets and short-term and long-term corporate goals and objectives for the CEO and executive officers, including the heads of the MCAN's oversight functions.
14. Oversee MCAN's general approach to human resources and compensation philosophy.
15. Review the succession plan for key executive positions, including the heads of MCAN's oversight functions.

### Communications and Public Disclosure

16. Review and approve MCAN's annual and quarterly financial statements and management discussion and analysis, press releases, annual information form, management proxy circular, prospectuses, and any other public documents prior to their release.
17. Approve MCAN's disclosure policy that governs the release of information about MCAN and requires timely, factual and accurate disclosure of such information in accordance with all applicable legal and regulatory requirements.

### Internal Controls

18. Oversee the internal control and management information systems, monitor the integrity and effectiveness of such systems and obtain assurances on a regular basis that these systems and controls are designed and operating effectively.
19. Review reports on the effectiveness of internal control over financial reporting from management, internal and external auditors.

### Corporate Governance

20. Oversee MCAN's approach to corporate governance issues, the disclosure and reporting thereof, including independence from management and the independence of individual directors.

21. At the recommendation of the Conduct Review, Corporate Governance & Human Resources Committee, annually determine those individual directors proposed to be nominated for election at the next annual meeting of shareholders.
22. Oversee formal evaluations of the Board, all Board committees, individual directors, the Chair of the Board and the CEO, with the assistance of independent external advisors as required, with the scope and frequency of such external input to be established by the Conduct Review, Corporate Governance & Human Resources Committee.
23. Establish Board committees and define their mandates and, subject to applicable law, delegate such matters to any committee in order to assist the Board in carrying out its duties and responsibilities.
24. Oversee compliance with MCAN's governance policies in effect from time to time, including the Director Independence Policy.

#### Director Expectations and Responsibilities

25. Act honestly and in good faith with a view to the best interests of MCAN and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.
26. Attend all Board and applicable committee meetings unless there is a compelling reason for non-attendance.
27. Prepare for each Board and committee meeting by reviewing the materials provided in advance of the meeting and requesting, as appropriate, clarification or additional information in order to fully participate in Board deliberations.

#### Communication with Directors

28. Shareholders or other stakeholders of MCAN may communicate with the directors by writing to the Chair of the Board as follows:

Chair of the Board  
MCAN Mortgage Corporation  
200 King Street West  
Suite 600  
Toronto, Ontario  
M5H 3T4

Approved: February 26, 2016