



**NOTICE OF  
ANNUAL MEETING OF SHAREHOLDERS  
AND  
MANAGEMENT INFORMATION CIRCULAR  
2020**

**TO BE HELD AT:**

**Accord Financial Corp.  
Suite 602, 40 Eglinton Avenue East  
Toronto, Ontario, Canada**

**Dial-in numbers:**

**Canada: (647) 497-9391  
U.S: (571) 317-3129  
Access Code: 759-773-517**

**Wednesday, May 6, 2020  
4:15 p.m. (Eastern Daylight Time)**

# ACCORD FINANCIAL CORP.

## NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

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NOTICE is hereby given that the Annual Meeting (the "Meeting") of Shareholders of ACCORD FINANCIAL CORP. (the "Company") will be held at the Company's offices at:

Accord Financial Corp.  
Suite 602, 40 Eglinton Avenue East  
Toronto, Ontario, Canada

**Dial-in numbers:**

Canada: (647) 497-9391

U.S: (571) 317-3129

Access Code: 759-773-517

on **Wednesday, May 6, 2020**  
at **4:15 p.m. (Eastern Daylight Time)**

Record Date: The Company has fixed April 3, 2020 as the record date for the Meeting.

**IMPORTANT NOTICE**

Due to continuing concerns regarding the coronavirus (COVID-19) and in consideration of the health and safety of shareholders, employees, other stakeholders and the broader community, **the Company strongly encourages that all shareholders consider not attending the meeting in person but instead call in by phone to listen to the meeting** by dialing one of the above noted phone numbers. More than ever, the Company strongly encourages that all shareholders vote their shares prior to the meeting. The Company intends to hold the meeting in person; however, it is actively monitoring the current coronavirus (COVID-19) outbreak. In light of the rapidly evolving news and guidance related to the coronavirus (COVID-19) outbreak, the Company asks that, in considering whether to attend the meeting, shareholders follow the instructions of the Public Health Agency of Canada and all additional provincial and local instructions. It asks that shareholders not attend the meeting in person if experiencing cold or flu-like systems within the 14 days prior to the meeting.

The following business will be conducted at the Meeting:

1. to receive the Audited Consolidated Financial Statements of the Company for the fiscal year ended December 31, 2019, together with the auditors' report thereon;
2. to elect directors of the Company;
3. to appoint KPMG LLP, Chartered Professional Accountants, as auditors of the Company and to authorize the Company's directors, through their Audit Committee, to fix the remuneration to be paid to the auditors; and
4. to transact such other business as may properly come before the Meeting or any adjournment thereof.

As a shareholder, you are entitled to attend the Meeting and to cast one vote for each common share that you own. If you are a registered shareholder and are unable to attend the Meeting, you will be able to vote on the items of business set out in 2, 3 & 4 above by completing the form of proxy included with the accompanying Management Information Circular (the "Circular"). This Circular explains how the voting process works.

If you are not able to be present at the Meeting, please exercise your right to vote by voting online at [www.investorvote.com](http://www.investorvote.com), by telephone at 1-866-732-VOTE (8683) or by signing and returning the enclosed form of proxy to Computershare Investor Services Inc., 100 University Avenue, 8<sup>th</sup> Floor, Toronto, Ontario, M5J 2Y1 so as to arrive not later than 4:15 p.m. (EDT) on the second business day preceding the date of the Meeting (namely, May 4, 2020) or any adjournment thereof. Please see Form of Proxy received for more information on voting your shares.

The Circular provides additional information relating to the matters to be dealt with at the Meeting and forms part of this notice.

Dated at Toronto, Ontario, the 3<sup>rd</sup> day of April 2020

**BY ORDER OF THE BOARD OF DIRECTORS**



Jim Bates  
Secretary

# ACCORD FINANCIAL CORP.

## INVITATION TO SHAREHOLDERS

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Dear Shareholder:

On behalf of Accord Financial's Board of Directors, I am pleased to invite you to attend the Company's Annual Meeting of Shareholders to be held at the Company's offices at Suite 602, 40 Eglinton Avenue East, Toronto, Ontario, Canada, on Wednesday, May 6, 2020 at 4:15 p.m. However, due to continuing concerns regarding the coronavirus (COVID-19) and in consideration of the health and safety of shareholders, employees, other stakeholders and the broader community, **the Company strongly encourages that all shareholders consider not attending the meeting in person but instead call in by phone to listen to the meeting** by dialing the phone numbers set out in the Notice of Annual Meeting of Shareholders above.

The Annual Meeting gives you the opportunity to learn more about your Company, receive its financial results, and hear about our plans for the future. The items of business to be considered at this meeting are described in the Notice of Annual Meeting of Shareholders and accompanying Management Information Circular. More than ever, the Company strongly encourages that all shareholders vote their shares prior to the meeting as it is important that your shares be represented and voted, by using the enclosed proxy or voting instruction form and voting in the manner detailed above. We encourage you to familiarize yourself with the information in the Management Information Circular, and decide how you want to vote your shares. We look forward to your participation.

The Board and management thank you for your continued support.

Sincerely,



Simon Hitzig  
President and CEO  
Accord Financial Corp.

# ACCORD FINANCIAL CORP.

## MANAGEMENT INFORMATION CIRCULAR

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# ACCORD FINANCIAL CORP.

## MANAGEMENT INFORMATION CIRCULAR

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### SOLICITATION OF PROXIES

The information contained in this Management Information Circular (the "Circular") is furnished in connection with the solicitation of proxies to be used at the Annual Meeting of Shareholders of Accord Financial Corp. ("Accord" or the "Company") to be held at the Company's offices at Suite 602, 40 Eglinton Avenue East, Toronto, Ontario at 4:15 p.m. on Wednesday, May 6, 2020 (the "Meeting"), and at all adjournments thereof, for the purposes set forth in the accompanying Notice of Meeting. It is expected that the solicitation will be made primarily by mail but proxies may also be solicited personally by directors, officers or employees of the Company. **The solicitation of proxies by this Circular is being made by or on behalf of the management of the Company.** The total cost of the solicitation will be borne by the Company.

### APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy accompanying this Circular are directors and officers of the Company. **A shareholder of the Company has the right to appoint a person other than the persons specified in such form of proxy and who need not be a shareholder of the Company to attend and act for the shareholder and on the shareholder's behalf at the Meeting. Such right may be exercised by striking out the names of the persons specified in the form of proxy, inserting the name of the person to be appointed in the blank space provided in the form of proxy, signing the form of proxy and returning it in the reply envelope in the manner set forth in the accompanying Notice of Meeting, or if voting online at [www.investorvote.com](http://www.investorvote.com), by inserting the name of the person to be appointed proxy in the appropriate space.**

A shareholder who has given a proxy has the right to revoke it as to any matter on which a vote has not already been cast pursuant to the authority conferred by that proxy and may do so: (i) by depositing an instrument in writing executed by the shareholder or by the shareholder's attorney who is authorized by a document that is signed in writing or by electronic signature that complies with the requirements of the Business Corporations Act (Ontario) (the "OBCA"); or (ii) by transmitting, by telephonic or electronic means, a revocation that is signed by electronic signature that complies with the requirements of the OBCA; or (iii) if voting online, by changing the name of, or deleting, the proxy previously appointed, in each case to be received (a) at the registered office of the Company, Suite 602, 40 Eglinton Avenue East, Toronto, Ontario, M4P 3A2 (or by fax at (416) 961-9443) or at the offices of Computershare Investor Services Inc., 100 University Avenue, 8th Floor, Toronto, Ontario M4P 3A2, up to and including 4:15 p.m. (EDT) on the second business day immediately preceding the day of the Meeting, or any adjournment or postponement thereof, at which the proxy is to be used or (b) by the Chairman of the Meeting on the day of the Meeting or any adjournment or postponement thereof or (c) if voting online, submitting the change before 4.15 pm (EDT) on the second business day immediately preceding the day of the meeting, or any adjournment or postponement thereof. A shareholder who has given a proxy may also revoke it in any other manner permitted by law.

### VOTING OF SHARES REPRESENTED BY MANAGEMENT PROXIES

The persons named in the enclosed form of proxy will vote the shares in respect of which they are appointed by proxy on any ballot that may be called for in accordance with the instructions thereon. **In the absence of such specifications, such shares will be voted in favour of each of the matters referred to herein.**

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments to or variations of matters identified in the Notice of Meeting and with respect to other matters, if any, which may properly come before the Meeting. At the date of this Circular, the management of the Company knows of no such amendments, variations, or other matters to come before the Meeting. However, if any other matters which are not known to management should properly come before the Meeting, the proxy will be voted on such matters in accordance with the best judgment of the named proxy.

### VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

As at the date hereof, the Company had 8,558,913 issued and outstanding common shares ("shares"), each carrying one vote. Each holder of a share of record at the close of business on April 3, 2020, the record date established for notice of the Meeting, will, unless otherwise specified herein, be entitled to one vote for each share held by such holder on all matters proposed to come before the Meeting, except to the extent that such holder has transferred any such shares after the record date and the transferee of such shares establishes ownership thereof and makes a written

demand, not later than 10 days before the Meeting, to be included in the list of shareholders entitled to vote at the Meeting, in which case the transferee will be entitled to vote such shares at the Meeting.

At the date hereof, to the knowledge of the management of the Company, the only persons beneficially owning, directly or indirectly, or exercising control or direction over, more than 10% of the issued and outstanding shares of the Company are as follows:

<b>Shareholder</b>	<b>Number of Common Shares</b>	<b>% of Issued and Outstanding Common Shares</b>
Hitzig Bros., Hargreaves & Co. Inc. (“Hitzig Bros.”)	2,000,000	23.37%
Oakwest Corporation Limited (“Oakwest”)	1,925,651	22.50%
3502236 Canada Inc. (“3502236”)	1,047,840	12.24%

Management understands that Mr. Ken Hitzig, Executive Chairman of the Board of Directors (“Chairman”) of the Company, and Mr. Simon Hitzig, President and CEO (“CEO”) of the Company, are directors, officers and shareholders of Hitzig Bros. Management further understands that Mr. David Beutel, a director of the Company, is also a director, officer and shareholder of Oakwest. Management also understands that 3502236 Canada Inc. is a family holding company of Messrs. Howard and Robert Tom, employees of the Company, who are directors, officers and shareholders of 3502236.

## **BUSINESS OF THE MEETING**

### **FINANCIAL STATEMENTS**

The Audited Consolidated Financial Statements of the Company for the fiscal year ended December 31, 2019 and the auditors’ report thereon are included in the Company’s 2019 Annual Report, which was mailed to shareholders with this Circular.

### **ELECTION OF DIRECTORS**

Management will propose at the Meeting that the six nominees named on pages 3 and 4 be elected directors. The current Board comprises of a majority of independent directors. All directors so elected will hold office until the next annual meeting of shareholders of the Company or until their successors are elected or appointed. The persons named in the enclosed form of proxy intend to cast the votes to which the shares represented by such proxy are entitled for the election of the nominees whose names are set forth below, unless the shareholder who has given such proxy has directed that the shares be withheld from voting in the election of one or more particular directors. Management of the Company does not contemplate that any of the nominees will be unable to serve as a director, but if that should occur for any reason at or prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion. The Board approved each of the directors to be nominated for election.

The Board has adopted a policy regarding majority voting in the election of directors. This states that if the number of votes withheld for a particular director nominee is more than the votes in favour of such director, the director nominee will be required to immediately submit his resignation to the Company’s Board for consideration by it. For further details regarding this policy see Majority Voting Policy (“MVP”) on page 18 below.

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

Each year directors are elected or re-elected to the Board. The six nominee director profiles below summarize each nominated director’s skills and experience. They have been selected based on their collective ability to contribute to the broad range of issues the Board considers when overseeing the Company’s business and affairs. Four of the six nominated directors are independent which ensures that the Board is able to operate independently of management and make decisions in the best interest of the Company and its shareholders.

The following table sets forth certain information with respect to the persons nominated by management for election to the Company’s Board.



Independent director.

**David Beutel, Toronto, Ontario, Canada**

**Principal Occupation:** Vice President and Secretary, Oakwest Corporation Limited (investment company)

Mr. Beutel holds a B.A. from University of Pennsylvania and a MBA from Schulich School of Business at York University. Mr. Beutel is a Vice President and Secretary of Oakwest, a private investment management and holding company. Prior to this, Mr. Beutel was the co-founder and managing partner of Belweather Capital Partners Inc., a merchant banking and private investment company in Toronto. He is Chairman of Diamond Estates Wines and Spirits Inc. (TSX-V: DWS) as well as being a director of several private companies. Mr. Beutel has been a director of Accord since May 7, 2014 and is a member of the Company's Audit and Credit Committees.

Common Shares Held (#) / Value (\$) <sup>(5)</sup>	Convertible debentures Held (#) / Value (\$) <sup>(6)</sup>	Stock Options Vested & Held (#)
1,925,651 <sup>(2)</sup> / \$19,391,306	Nil	40,000



Independent director.

**Jean Holley, Alpharetta, Georgia, U.S.A.**

**Principal Occupation:** Corporate director

Ms. Holley holds a B.S. in Computer Science/Electrical Engineering from Missouri University Science & Technology, and a M.S. in Computer Science/Engineering from Illinois Institute of Technology in Chicago. Ms. Holley has over 30 years' experience in information technology, serving as Chief Information Officer for a variety of global companies including Brambles Limited, Tellabs and USG Corp. She has served on OneSpan's (Nasdaq: OSPN) board as an independent director since 2006 where she chairs the Governance and Nomination Committee and is a member of the Audit and Compensation Committees. Since 2017, Ms. Holley has also served on Herc Holding's (NYSE: HRI) board as an independent director where she is a member of the Audit and Finance Committees. Ms. Holley is standing as a nominee to the Board for the first time.

Common Shares Held (#) / Value (\$) <sup>(5)</sup>	Convertible debentures Held (#) / Value (\$) <sup>(6)</sup>	Stock Options Vested & Held (#)
Nil	Nil	Nil



Mr. Hitzig is an officer of Accord and, hence, a non-independent director.

**Ken Hitzig, Toronto, Ontario, Canada**

**Principal Occupation:** Executive Chairman of the Board of the Company

Mr. Hitzig founded Accord 42 years ago and has seen his initial vision grow into a highly successful North American asset-based lending and finance company. Mr. Hitzig has a B.Comm. from McGill University and over 50 years' experience in the asset-based lending and finance industries. Mr. Hitzig has been a director of Accord since March 6, 1992 and is a member of the Company's Compensation Committee.

Common Shares Held (#) / Value (\$) <sup>(5)</sup>	Convertible debentures Held (#) / Value (\$) <sup>(6)</sup>	Stock Options Vested & Held (#)
2,000,000 <sup>(3)</sup> / \$20,140,000	750 / \$768,750	Nil



Mr. Hitzig is President and CEO of Accord and, hence, a non-independent director.

**Simon Hitzig, Toronto, Ontario, Canada**

**Principal Occupation:** President and CEO of the Company

Mr. Hitzig joined Accord Financial Ltd., the Company's non-recourse factoring subsidiary, as President and CEO in 2011. He moved to Accord Financial Corp. in 2016 as Senior Vice President, Corporate Development and was promoted to President and CEO on Oct. 1, 2018, at which time he also joined the Board of Directors. Prior to joining Accord, he spent 20 years with various subsidiaries of Dundee Corporation and Dundee Wealth Inc., where he held executive positions in marketing, product development and distribution strategy. Mr. Hitzig completed his MBA at Georgetown University in Washington DC and has a B.A. from York University in Toronto.

Common Shares Held (#) / Value (\$) <sup>(5)</sup>	Convertible debentures Held (#) / Value (\$) <sup>(6)</sup>	Stock Options Vested & Held (#)
2,196,000 <sup>(4)</sup> / \$22,113,720	500 / \$512,500	Nil

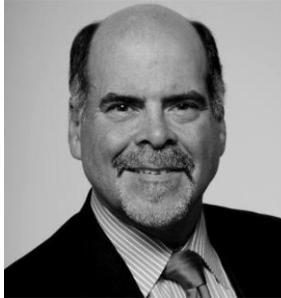


Independent director.

**Gary Prager, Wake Forest, North Carolina, U.S.A.**

**Principal Occupation:** Managing Partner, Cygnus Advisers (business and financial consulting) Mr. Prager has over 37 years' experience in corporate finance. He worked for 18 years with CIT as an Executive Vice President in its Corporate Finance Group. He was also a Managing Director of GB Credit Partners, the investment management affiliate of Gordon Brothers Group. Mr. Prager holds a MBA from the University of North Carolina. He has also completed Advanced Executive Programs in Corporate Finance and Marketing at University of Virginia and Northwestern University, respectively. Mr. Prager has been a director of the Company since May 6, 2015 and is a member of the Company's Audit and Credit Committees

Common Shares Held (#) / Value (\$) <sup>(5)</sup>	Convertible debentures Held (#) / Value (\$) <sup>(6)</sup>	Stock Options Vested & Held (#)
8,900 / \$89,623	330 / \$338,250	40,000



Independent director.

**Stephen Warden, Oakville, Ontario, Canada**

**Principal Occupation:** Partner, MNP LLP (Chartered Professional Accountants)

Mr. Warden is a Partner at MNP LLP, a national firm of chartered professional accountants. He was previously a partner at parker simone LLP and prior to that a partner at KPMG LLP in Toronto. He specializes in auditing investment dealers, banking, and finance companies. While at KPMG, he was an auditor of Accord from 1980 to 2006. He is a Director and Audit Committee Chair of the Private Capital Markets Association of Canada. Mr. Warden is a CPA, CA and Certified Management Consultant with a B.Comm. from University of Toronto. Mr Warden joined Accord's Board on July 27, 2010 and is the Chair of its Audit Committee and a member of its Compensation Committee.

Common Shares Held (#) / Value (\$) <sup>(5)</sup>	Convertible debentures Held (#) / Value (\$) <sup>(6)</sup>	Stock Options Vested & Held (#)
9,000 / \$90,630	25 / \$25,625	40,000

- The number of shares beneficially owned or over which a director or nominee director exercises control or direction, not being within the knowledge of the Company, has been furnished by the respective nominees individually as at April 3, 2020.
- Oakwest is the beneficial owner of these shares.
- Hitzig Bros. is the beneficial owner of these shares.
- Hitzig Bros. is the beneficial owner of 2,000,000 of these shares.
- The value of shares held is the number of shares held multiplied by the closing price of the Company's shares on the TSX on December 31, 2019 of \$10.07.
- The value of convertible debentures held is the number of debentures held multiplied by the closing price of the Company's convertible debentures on the TSX on December 31, 2019 of \$102.50.

**Board of Directors Meetings Held and Attendance of Directors**

A summary of attendances at Board and Committee meetings during the year ended December 31, 2019 is set out below.

Director	Board Meetings Attended	Committee Meetings Attended		Total Meetings Attended	
		Audit Committee	Compensation Committee		
David Beutel	4 of 4	4 of 4		8 of 8	100%
Tom Henderson	4 of 4			4 of 4	100%
Ken Hitzig	4 of 4		4 of 4	8 of 8	100%
Simon Hitzig	4 of 4			4 of 4	100%
Gary Prager	4 of 4	4 of 4		8 of 8	100%
Robert Sandler	4 of 4		4 of 4	8 of 8	100%
Stephen Warden	4 of 4	4 of 4	4 of 4	12 of 12	100%

## Committees of the Board of Directors

The following table summarises the current membership of each committee of the Board:

<b>Audit Committee</b>	<b>Compensation Committee</b>	<b>Credit Committee</b>
David Beutel	Ken Hitzig	David Beutel
Gary Prager	Robert Sandler	Gary Prager
Stephen Warden (Chair)	Stephen Warden	Robert Sandler

The Audit and Credit Committees are comprised of independent directors, while the Compensation Committee is comprised of a majority of independent directors.

### Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Except as noted below, to the knowledge of the Company, no director, nominee for director, or executive officer of the Company is or has been, in the last ten years, a director or executive officer of an issuer that, while that person was acting in that capacity: (a) was the subject of a cease trade order or similar order or an order that denied the issuer access to any exemptions under Canadian securities legislation, for a period of more than 30 consecutive days; or (b) was subject to an event that resulted, after that person ceased to be a director or executive officer, in the issuer being the subject of a cease trade or similar order or an order that denied the issuer access to any exemption under Canadian securities legislation for a period of more than 30 consecutive days; or (c) 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.

Mr. David Beutel is a director of Arius3D Corp. (“Arius”). In September 2012, the Ontario and British Columbia Securities Commissions and applicable Canadian securities regulators issued a permanent cease trade order against Arius related to its failure to meet its continuous disclosure obligations. As Arius was insolvent, its assets were seized by its major creditors. Arius has been delisted and is no longer a public company.

## COMPENSATION OF DIRECTORS

The Board is responsible for reviewing independent director compensation and satisfying itself that it is competitive and aligns directors’ interests with those of the Company’s shareholders. The Board determines the form and amount of independent director compensation based on a review of director compensation in the marketplace. In addition, reasonable out-of-pocket expenses incurred in performance of their duties are reimbursed. The compensation structure for 2019 independent directors is set out below.

### Directors’ Compensation Structure

<b>Directors’ Fee Component</b>	<b>Fees (\$) <sup>(1)</sup></b>
Directors’ annual retainer	30,000
Board meeting fee (per meeting)	2,000
Audit Committee Chair annual retainer	7,500
Audit Committee member’s (excluding Chair) annual retainer	3,750
Audit Committee meeting fee (per meeting)	2,000
Compensation Committee member’s annual retainer	5,000
Compensation Committee meeting fee (per meeting)	2,000
Credit Committee member’s annual retainer	5,000

1. Mr. Gary Prager and Mr. Robert Sandler, U.S. based independent directors, were paid these fees in U.S. dollars.

## Individual Director Compensation

The following table provides a detailed break-down of the total compensation paid to directors for the year ended December 31, 2019.

Director	Directors' Annual Retainer (\$)	Board Meeting Fees (\$)	Audit Committee Annual Retainer (\$)	Compensation Committee Annual Retainer (\$)	Credit Committee Annual Retainer (\$)	Audit and Compensation Committee Meeting Fees (\$)	Total Fees (\$)	Option-based Awards <sup>(3)</sup> (\$)	Share-based Awards <sup>(4)</sup> (\$)	Total Compensation (\$)
David Beutel	30,000	8,000	3,750	-	5,000	8,000	54,750	-	-	54,750
Tom Henderson <sup>(1)</sup>	-	-	-	-	-	-	-	-	-	-
Ken Hitzig <sup>(1)</sup>	-	-	-	-	-	-	-	-	-	-
Simon Hitzig <sup>(1)</sup>	-	-	-	-	-	-	-	-	-	-
Gary Prager <sup>(2)</sup>	39,844	10,625	4,982	-	6,640	10,625	72,716	-	-	72,716
Robert Sandler <sup>(2)</sup>	39,844	10,625	-	6,640	6,640	10,640	74,389	-	-	74,389
Stephen Warden	30,000	8,000	7,500	5,000	-	16,000	66,500	-	-	66,500
Total	139,688	37,250	16,232	11,640	18,280	45,265	268,355	-	-	268,355

- Messrs. Ken Hitzig, Tom Henderson and Simon Hitzig are executive officers of the Company and, as such, receives no compensation for acting as a director of the Company.
- Mr. Prager received total fees of US\$54,750, while Mr. Sandler received US\$56,000. The total fees shown in the above table are the Canadian dollar equivalents of the U.S. dollar fees paid.
- No option-based awards relating to stock option grants were awarded to directors under the Company's Non-Executive Directors Stock Option Plan ("NEDSOP") during the fiscal year ended December 31, 2019.
- Director's share-based awards relate to the Company's SARs. The Company's SARs plan is described on page 15 below. SARs are valued at fair value on the date of grant using the Black-Scholes option pricing model. No SARs have been granted since 2011.

### Directors' Option-based Awards in Last Fiscal Year and Outstanding at December 31, 2019

No stock option grants were awarded to Company directors during the year ended December 31, 2019. The following table sets forth the aggregate option-based awards outstanding at December 31, 2019.

Director	Option-Based Awards				
	Number of Securities Underlying Unexercised Options		Option Exercise Price (\$)	Option Expiration Date <sup>(1)</sup> (\$)	Value of Unexercised in-the-money Options <sup>(2)</sup> (\$)
	Vested (#)	Unvested (#)			
David Beutel	20,000	-	9.28	July 26, 2021	15,800
	20,000	-	9.56	October 27, 2020	10,200
Gary Prager	20,000	-	9.28	July 26, 2021	15,800
	20,000	-	9.56	October 27, 2020	10,200
Robert Sandler	20,000	-	9.28	July 26, 2021	15,800
	20,000	-	9.56	October 27, 2020	10,200
Stephen Warden	20,000	-	9.28	July 26, 2021	15,800
	20,000	-	9.56	October 27, 2020	10,200

- The options expiring on July 26, 2021 were granted on July 27, 2016, while the options expiring on October 27, 2020 were granted on October 28, 2015. Fifty percent of the options granted vested after one year and the remaining fifty percent vested after two years.
- The value of the outstanding options at December 31, 2019 is calculated based on the difference between the price of the Company's shares on the TSX on December 31, 2019, namely \$10.07, and the exercise prices of the options.

### Directors' Share-based Awards in Last Fiscal Year and Outstanding at December 31, 2019

No share-based awards (namely, SARs grants) were made to the Company's directors during the year ended December 31, 2019. There were no SARs outstanding at December 31, 2019.

### Directors' Share-based and Option-based Awards Vested in Last Fiscal Year

No share-based or option-based awards (namely, SARs grants or stock options) vested during the year ended December 31, 2019.

### Directors' Value Vested or Earned on Incentive Plan Awards in Last Fiscal Year

No option or share-based value vested or non-equity incentive plan compensation was earned by the directors in 2019.

## Directors' Share-based and Option-based Awards Exercised in Last Fiscal Year

No option-based awards (stock options) were exercised by the Company's directors during 2019.

No share-based awards (SARs) remained outstanding at any time during 2019.

### APPOINTMENT OF AUDITORS

The Audit Committee recommends that shareholders appoint KPMG LLP ("KPMG"), Chartered Professional Accountants, as independent auditors of the Company until the next annual meeting of shareholders. KPMG was first appointed auditors of the Company on March 6, 1992. Unless the shareholder has specified in the enclosed form of proxy that the shares represented by such proxy are to be withheld from voting in the appointment of KPMG as auditors, the persons named in the enclosed form of proxy intend to vote in favour of the appointment of KPMG as auditors of the Company to hold office until the next annual meeting of shareholders, and to authorize the directors to fix the remuneration of the auditors.

### Fees for Services Provided by KPMG LLP

Aggregate fees billed for professional services rendered by KPMG for the fiscal years ended December 31, 2019 and 2018 were as follows:

	<b>2019</b>	<b>2018</b>
	\$000	\$000
Audit fees	305	362
Audit-related fees	-	22
Tax fees	-	-
All other fees	<u>-</u>	<u>33</u>
Total fees	<u>305</u>	<u>417</u>

Audit fees were paid for professional services rendered for the audit of Accord and its subsidiaries annual financial statements or services provided in connection with statutory and regulatory filings or engagements. Tax fees were paid for tax planning, advice and compliance.

The Audit Committee is required to pre-approve all audit and non-audit services prior to the services being provided in order to ensure that the provision of such services does not impair KPMG's independence. The Audit Committee has approved all of the services provided to the Company and its subsidiaries described in the table above.

### COMPOSITION OF THE COMPENSATION COMMITTEE

Currently the Compensation Committee is composed of a majority of independent directors as noted on page 5. The Compensation Committee has, as part of its mandate, primary responsibility for making recommendations for approval by the Board with respect to the appointment and remuneration of executive officers of the Company. The Compensation Committee also evaluates the performance of the Company's senior executive officers and reviews the design and competitiveness of the Company's compensation plans. The Compensation Committee met four times during the fiscal year ended December 31, 2019.

### COMPENSATION DISCUSSION AND ANALYSIS

The following report is provided by the Compensation Committee. The Compensation Committee administers the Company's executive compensation policies and is responsible for making recommendations to the Board concerning the compensation of Mr. Simon Hitzig, President and CEO ("CEO"), Mr. Ken Hitzig, Executive Chairman of the Board, Mr. Thomas Henderson, Executive Vice Chairman, and other key executive officers of the Company. Executive compensation is designed to encourage, compensate and reward employees on the basis of individual and corporate performance, both in the short- and long-term. The objectives of the Company's executive compensation strategy are to:

1. attract and retain talented and effective individuals to assume responsibility for those functions that are critical to the Company's success;
2. encourage and recognize high levels of performance by linking incentive compensation to the Company's profitability;
3. link long-term compensation to the achievement of the Company's strategic objectives of growth and the enhancement of shareholder value; and
4. encourage retention of key executives for leadership succession.

Given the small size of the Company, compensation for each of the key executive officers is determined in a relatively simple and straightforward manner and no formal benchmarking is undertaken. Executive compensation consists of four components:

1. base salary;
2. annual incentive or bonus plan;
3. long-term incentive plan awards; and
4. benefits and other perquisites.

### ***Base Salaries***

The level of base salary for the CEO is reviewed annually by the Compensation Committee and its recommendation is approved by the Company's Board. The CEO's base salary is based on an assessment of a variety of factors, including the CEO's performance in relation to achieving organizational goals, establishing and implementing the Company's strategic plans, the Company's relative financial performance, competitive issues and the Company's ability to pay.

Annual base salary levels for other key executive officers of the Company, including the Executive Chairman and Executive Vice Chairman, are reviewed annually by the Compensation Committee based on individual performance, industry compensation levels, the degree of impact the position has on the overall financial performance of the Company, the number of employees under direct and indirect supervision, competitive issues and the ability of the Company to pay. The recommendations of the Compensation Committee with regard to key executive officers are then presented to the Board for approval prior to implementation.

Salaries paid to the Company's CEO, Chief Financial Officer ("CFO") and the three other most highly compensated executive officers of the Company (collectively, the "Named Executive Officers") are set out in the Summary Compensation Table ("SCT") on page 10 of this Circular in the salary column.

### ***Annual incentive or bonus plans***

The Presidents of Accord Financial Inc. ("AFIC"), Accord Financial, Inc. ("AFIU"), Varion Capital Corp. ("Varion") and Accord Financial Ltd. participate in an annual incentive plan which is a percentage, up to 10%, of adjusted pre-tax earnings above a threshold amount. The threshold amount is expressed as a targeted return on average funds employed for AFIC, AFIU and Varion, and is a fixed dollar amount for AFL. Adjusted pre-tax earnings is calculated as net earnings before income tax, head office charges, interest expense and other inter-company items. To reach the maximum percentage, the Presidents must also achieve a number of pre-established operating goals relating to their subsidiary. These annual incentive or bonus amounts can be adjusted by the Company's Compensation Committee if it considers it appropriate. The Presidents of BondIt LLC ("BondIt") and Accord CapX LLC ("CapX"), subsidiaries acquired in the second half of 2017, did not have an individual annual incentive plan in 2019. Both the CapX and BondIt Presidents share in their subsidiary's employee bonus pools.

For 2019, the Presidents of these subsidiaries received the following annual incentives: AFIC: \$49,791, AFIU: US\$50,000, Varion: \$126,708, AFL: \$33,078. In 2019, the annual incentives paid to the Presidents of these four subsidiaries were also approved by the Compensation Committee as there was some adjustment to the calculated amounts to make the incentives reasonable.

The CFO's annual incentive is calculated in a similar manner to the CEO's except that the weighted average annual bonus percentage is currently linked to the performance of four of the Company's operating subsidiaries (AFL, AFIC, AFIU and Varion) and the total annual incentives or bonuses paid to both the Presidents and all other eligible employees (all eligible employees share in a profit sharing pool as discussed in the next paragraph) of the four subsidiaries. The total annual incentives or bonuses to be paid by those subsidiaries is expressed as a percentage of the total eligible salaries of the four subsidiaries' employees (including the Presidents). This weighted average bonus percentage is then adjusted, if considered appropriate, based on the performance of the CFO and then multiplied by his annual salary to determine his annual bonus for a particular fiscal year.

All eligible employees of the Company and its subsidiaries, with the exception of BondIt, share in the earnings of their company pursuant to established profit sharing or bonus plans whereby a percentage of adjusted pre-tax net earnings is distributed to eligible employees each year as an annual bonus. BondIt's employees receive an annual performance based bonus that is not directly related to its earnings. The Compensation Committee oversees the operation of the Company's Employee Profit Sharing Plans (the "Plans"). All full time operating subsidiary employees, except the Presidents of AFIC, AFIU, AFL and Varion, who each have their own incentive plans as described above, are eligible to participate in their employer's plan. During 2019, AFIC, AFIU, AFL and Varion accrued a certain pre-determined

percentage of their annual pre-tax earnings, before head office charges, less an imputed interest charge on the operating subsidiary's shareholder's equity, as their total employee profit sharing pool, while CapX did not accrue any amount as it incurred a pre-tax loss. These pools were distributed among all of those subsidiary's eligible employees taking into account the employee's position, salary level, performance and other factors. Typically, executives and senior management of the subsidiaries will receive a higher performance-related annual incentive based on similar considerations to those upon which base salaries are set and, accordingly, will share to a greater extent in their employer's profit sharing or bonus pool. There is no profit sharing accrual by a subsidiary in a particular year if its pre-tax earnings before head office charges are less than the imputed interest charge on that subsidiary's shareholder's equity. As noted above, in 2019, BondIt's employees received a performance based bonus.

The profit sharing distribution to the Company's own employee(s) other than its Vice Chairman, CEO and CFO, is calculated each year based on the aggregate total of the employee profit sharing or bonus pools of four operating subsidiaries (AFL, AFIC, AFIU, Varion) expressed as a percentage of the total eligible salaries of those employees entitled to share in those subsidiaries' employee profit sharing pools. This weighted average profit sharing percentage is then adjusted, if considered appropriate, based on the seniority and performance of the Company's employee(s) entitled to receive a profit share and then multiplied by each employee's eligible salary to determine an employee's profit share for a particular fiscal year. The Company's CEO and CFO's annual incentive plans are set out above, while its Chairman, Mr. Ken Hitzig, no longer receives an annual incentive.

As a result of the 2017 acquisitions of BondIt and CapX, the Company is reviewing and contemplating changes to its annual incentive plans.

The annual incentives or bonuses paid to the Company's Named Executive Officers for the last three years are set out in the Annual Incentive Plan or Bonus column of the SCT on page 10 of this Circular. It is anticipated bonus amounts payable to the Named Executive Officers will typically not exceed 50% of their total compensation.

#### ***Long-Term Incentive Plan ("LTIP")***

During 2015, the Company's Board approved the introduction of the LTIP as a means of providing a long-term incentive to attract, motivate and retain key managerial employees by providing them with the opportunity to benefit from the Company's growth and long-term financial operating performance thereby giving them an interest in preserving and maximizing shareholder value in the long-term and aligning the interests of shareholders and key management personnel. The LTIP replaced the SARs plan as a means of providing a long-term incentive to key managerial employees of the Company. The CEO of the Company is responsible for recommending to the Compensation Committee those executives eligible to participate in the LTIP and his recommendations are subject to the approval of the Company's Compensation Committee, which then presents these recommendations to the Board for approval or modification. The annual LTIP award will vest in full at the end of a three-year period and will be payable in a combination of the Company's shares to be issued from treasury and/or cash (largely to enable the employee to pay income tax on payment of the award), to be determined at the time of payment by the Compensation Committee. The Company expects that up to fifteen executives will be named in each annual LTIP award. The 2019 LTIP award was to fifteen executives in the amount of \$213,609. Please see pages 13 to 15 below for a detailed description of the LTIP.

#### ***Share Appreciation Rights (superceded by the LTIP)***

The Company has a SARs plan whereby the Board may grant SARs to key managerial employees of the Company. The SARs plan replaced the Key Employee Stock Option Plan ("KESOP") in acting as a long-term incentive to attract and retain key managerial employees, although it has now itself been replaced by the LTIP. The Compensation Committee had the sole discretion to determine the key employees to whom it recommended that grants be made and to determine the number of SARs forming part of such grant. The Compensation Committee presents these recommendations to the Board for approval or modification. An employee can exercise their SARs after holding them for a minimum of two years. It was expected that SARs grants would not form a substantial component of an employee's total compensation. No SARs have been granted by the Company to key managerial employees since 2011 and no SARs were outstanding at December 31, 2019. The SARs plan is discussed in more detail on page 15 of this Circular.

#### ***Stock Options (superceded by the SARs plan)***

Stock options granted under the KESOP are designed to give each optionee an interest in preserving and maximizing shareholder value in the longer term by linking compensation to the Company's share price. The Compensation Committee has the sole discretion to determine the key employees to whom it recommends that grants be made and to determine the number of the options forming part of such grant. The Compensation Committee presents these recommendations to the Board for modification or approval. The Company has issued no options to employees under the

KESOP since 2004. The KESOP was replaced by the SARs plan and, subsequently, the LTIP in providing a long term incentive to key management employees. The KESOP is discussed in more detail on page 16 of this Circular.

### **Benefits and Perquisites**

Benefits and perquisites are valued in assessing the competitiveness of overall compensation. Benefits include group health, dental and disability insurance, and perquisites are primarily business related and include items such as automobiles and automobile allowances.

The foregoing report has been furnished by the Compensation Committee.

## **EXECUTIVE COMPENSATION**

The following table sets forth, for the years indicated, all compensation paid to the Named Executive Officers being the Company's CEO, CFO and its three other most highly compensated executive officers.

**Summary Compensation Table**

<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary (\$)</b>	<b>Annual Incentive Plan or Bonus<sup>(1)</sup> (\$)</b>	<b>Option- based Awards (\$)</b>	<b>Share- based (LTIP) Awards<sup>(2)</sup> (\$)</b>	<b>Pension Value (\$)</b>	<b>All Other Compen- sation (\$)</b>	<b>Total Compen- sation (\$)</b>
Simon Hitzig <sup>(3)</sup> President and CEO, Accord Financial Corp.	2019	400,080	88,600	-	35,000	-	-	523,680
	2018	310,680	91,769	-	26,500	-	-	428,949
	2017	276,300	51,338	-	22,500	-	-	350,138
Stuart Adair Chief Financial Officer, Accord Financial Corp.	2019	269,850	66,954	-	35,000	-	-	371,804
	2018	264,480	101,277	-	26,500	-	-	392,257
	2017	259,260	53,457	-	22,500	-	-	335,217
Jeffry Pfeffer <sup>(4)</sup> President, Accord CapX LLC.	2019	400,000	-	-	26,379	-	-	426,379
	2018	400,000	-	-	-	-	-	400,000
	2017	66,667	-	-	-	-	-	66,667
Tom Henderson <sup>(5)</sup> Vice Chairman, Accord Financial Corp.	2019	324,540	80,930	-	15,074	-	-	420,544
	2018	315,120	57,810	-	21,687	-	-	394,617
	2017	309,000	35,884	-	18,772	-	-	363,656
Barrett Carlson <sup>(6)</sup> Executive Vice President, Accord CapX LLC.	2019	350,000	-	-	26,379	-	-	376,379
	2018	350,000	-	-	-	-	-	350,000
	2017	58,333	-	-	-	-	-	58,333

1. This amount represents the annual incentive or bonus earned in respect of such fiscal year, which amount was largely paid the subsequent February.
2. The Company introduced the LTIP, a share-based award, in 2015. LTIP awards are payable in a combination of cash and/or shares of the Company at the end of a three-year vesting period at the discretion of the Company's Compensation Committee. See page 13 below.
3. Mr. Simon Hitzig was appointed President and CEO of the Company effective October 1, 2018, prior to which he was Senior Vice President, Corporate Development of the Company.
4. Mr. Jeffry Pfeffer is the President of Accord CapX LLC. His compensation is expressed in U.S. dollars.
5. Mr. Henderson was appointed Vice Chairman effective October 1, 2018, prior to which he was President and CEO of the Company. His compensation is expressed in U.S. dollars.
6. Mr. Carlson is an Executive Vice President of Accord CapX LLC. His compensation is expressed in U.S. dollars.
7. The Company had no formal employment contracts with any of the Named Executive Officers at December 31, 2019, except as noted on page 12 under "Termination and Change of Control Benefits".

### **Share-based Awards to Named Executive Officers in Last Fiscal Year**

The Company's LTIP awards to its Named Executives in 2019 are set out in the Summary Compensation Table ("SCT") above. As noted on page 13, the LTIP awards vest over a three-year period and are payable in a combination of cash and/or shares to be determined at the time of payment by the Company's Compensation Committee.

### **Option-based Awards to Named Executive Officers in Last Fiscal Year**

There were no option-based awards (namely, stock option grants under the KESOP) to the Company's Named Executive Officers during the year ended December 31, 2019 and none were outstanding at any time in 2019. The Company has not issued stock options to key managerial employees since 2004.

### Share-based and Option-based Awards to Named Executive Officers Exercised in Last Fiscal Year

The following share-based (LTIP) awards were paid out to the Named Executive Officers in 2019 in respect of the 2016 LTIP award which vested on December 31, 2018.

	Value of LTIP Award paid out in 2019 (\$)
Simon Hitzig	32,000
Stuart Adair	36,000
Jeffry Pfeffer	—
Tom Henderson	25,000
Barrett Carlson	—

There were no option-based awards exercised by the Named Executive Officers at any time in 2019.

### Share-based and Option-based Awards to Named Executive Officers Outstanding at December 31, 2019

There were no option-based awards to the Company's Named Executive Officers outstanding at December 31, 2019.

At December 31, 2019, the value of outstanding LTIP awards, comprising awards for the years 2018 and 2019, for each of the Named Executive Officers was nil. No SARs grants were outstanding at December 31, 2019.

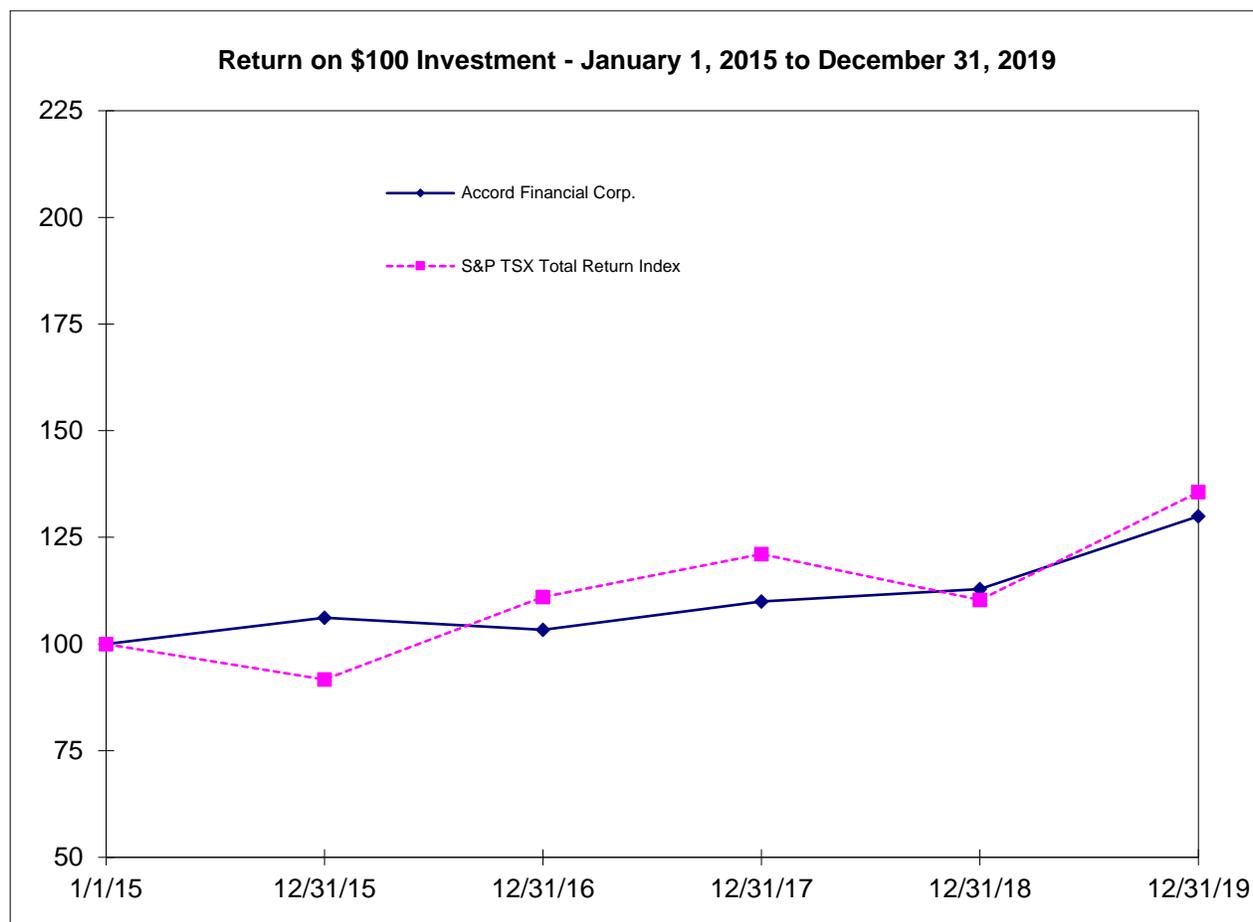
### Share-based and Option-based Awards Vested in 2019

No option-based awards vested to the Named Executive Officers during 2019 as there were no such awards outstanding to the Named Executive Officers at any time in 2019.

The 2017 LTIP award vested on December 31, 2019 with a payout multiplier of 0% (see page 14). As such, no payments were payable in respect of the 2017 LTIP award.

## Performance Graph

The following graph compares the total cumulative return on a \$100 investment in common shares of the Company on January 1, 2015 assuming reinvestment of all dividends with the cumulative total shareholder return on the S&P/TSX Total Return Index on the same date.



	01/01/15	12/31/15	12/31/16	12/31/17	12/31/18	12/31/19
S&P TSX Total Return Index	\$100.00	\$ 91.68	\$111.01	\$121.11	\$110.34	\$135.59
Accord Financial Corp.	\$100.00	\$106.15	\$103.32	\$110.00	\$112.85	\$129.92

During 2019, a \$100 investment in Accord's shares, taking into account share price changes and dividends paid rose by 15%, while Accord's net earnings and adjusted net earnings decreased by 38% and 54%, respectively, compared to 2018. The total 2019 annual incentive or bonus payable to the Named Executive Officers declined by 6% compared to 2018. For details of the Company's annual incentive or bonus plans please refer to the Compensation Discussion and Analysis on page 7 above.

## Employment and Termination Agreements

No Named Executive Officer with the exception of Messrs. Jeffrey Pfeffer, President of CapX, and Barrett Carlson, an Executive Vice President at CapX, has a formal employment contract with the Company or its subsidiaries at the date of this report. Messrs. Pfeffer and Carlson's employment contracts are for an initial term of three years starting October 27, 2017 and are automatically renewed for successive periods of one year unless thirty days written notice prior to the expiration of the employment contracts is given by either the CapX or Messrs. Pfeffer or Carlson. During the initial term of employment, Mr. Pfeffer's annualized base salary is fixed at US\$400,000, while Mr. Carlson's is fixed at US\$350,000, with increases, if any, approved by CapX's board of directors in writing. If employment is terminated by CapX without cause, or by the employee with good reason, the Company will pay him twelve months salary, any accrued but unused vacation up to eight weeks, twelve months benefits provided under CapX's employee benefits plan and any unpaid annual bonus in respect of any completed fiscal year ended prior to the date of termination. At

April 3, 2020, the potential termination payment would amount to US\$400,000 for Mr. Pfeffer and US\$350,000 for Mr. Carlson, comprising twelve month's salary. Messrs. Pfeffer and Carlson will also be entitled to the Company's group health and dental benefits and disability coverage for a period of twelve months from the date of termination, along with any accrued and unused vacation pay up to eight weeks.

As noted above, with the exception of Messrs. Pfeffer and Carlson, the Company and its subsidiaries have no formal contracts with any other Named Executive Officer. Accordingly, apart from monies that would be owing to Messrs. Pfeffer and Carlson, no payments to other Named Executive Officers under any contracts are required in the event of any termination, resignation, retirement or change in control of the Company, although substantial severance and termination payments would be required by law as the other Named Executive Officers are largely long-term employees of the Company and its subsidiaries. Any unvested LTIP, SARs or stock option awards outstanding would immediately vest as a result of a change in control of the Company.

### **Indebtedness of Directors and Executive Officers**

No person who is, or was at any time during the most recently completed financial year, a director, executive officer or senior officer of the Company, was indebted to the Company or a subsidiary of the Company at any time during the period January 1, 2019 to April 3, 2020.

### **SUMMARY OF LONG-TERM INCENTIVE PLAN**

The Company's Board approved the introduction of the LTIP as a means of providing a long-term incentive to attract, motivate and retain key managerial employees (also known as the senior executive group) by providing them with the opportunity to benefit from the Company's growth and long-term financial operating performance thereby giving them an interest in preserving and maximizing shareholder value in the long-term and aligning the interests of shareholders and management. The LTIP has replaced the SARs plan as a means of providing a long-term incentive to key managerial employees of the Company. Concurrent with the LTIP, the Company has introduced an executive share ownership guideline, which is set out below.

The LTIP is a comprehensive plan designed to:

1. promote a competitive compensation opportunity for the senior executive group that is in addition to the existing base salary and annual short-term bonus plan;
2. align executive and shareholder interests by providing them with the opportunity to benefit from the Company's growth thereby giving them an interest in preserving and maximizing shareholder value in the long-term and promoting a renewed sense of equity ownership by the senior executive group;
3. recognize and link rewards to financial operating performance over the longer three-year horizon; and
4. retain executive talent.

The CEO of the Company is responsible for recommending to the Compensation Committee those executives eligible to participate in the LTIP and his recommendations are subject to the approval of the Compensation Committee, which will also provide oversight of the plan. The Company expects that up to fifteen executives will be named in each annual LTIP award, at the discretion and recommendation of the CEO.

The LTIP award, which will vest in full at the end of a three-year period, will be payable in a combination of equity, in the form of the Company's common shares to be issued from treasury, and/or cash (largely to enable the employee to pay income tax on payment of the award) to be determined at the time of payment at the discretion of the Compensation Committee. The shares to be issued from treasury, if any, will be priced based on the ten-day volume weighted average share price of the Company's shares on the Toronto Stock Exchange ("TSX") immediately prior to the end of the vesting period (namely, December 31 of a particular year).

The maximum number of shares that can be issued pursuant to the LTIP will be 400,000, which represents 4.7% of the issued and outstanding shares of the Company as at the date hereof. The Company's shareholders ratified the issuance of up to 400,000 shares under the terms of the LTIP at its May 4, 2016 Annual Meeting of Shareholders. A total of 19,041 common shares have been issued to date under the LTIP (in respect of the 2015, 2016 and 2017 awards that vested on December 31, 2017, 2018 and 2019, respectively).

The total number of shares which can be: (i) issued to insiders of the Company within any one-year period; and (ii) issuable to insiders of the Company at any time under the LTIP, or when combined with all of the Company's other share-based compensation arrangements, cannot exceed 10% of the Company's total issued and outstanding shares, respectively.

The number of shares to be issued in respect of a particular year's outstanding LTIP award cannot be determined until the end of that awards vesting period (e.g. December 31, 2019 in respect of the 2017 LTIP award) as the purchase

price of the shares to be issued thereunder, based on the Company's ten-day weighted average share price immediately before the end of the vesting period, and the ROE payout multiplier, as discussed below, will not be known until the end of the vesting period. However, it is expected that the maximum number of shares to be issued annually under a particular year's LTIP award will not exceed 50,000 shares (0.6% of the issued and outstanding shares at the date hereof) even if the ROE payout multiplier is the maximum 130% and the entire award is settled in shares at the time of payout. For example, the payout under the 2016 award which vested on December 31, 2018 was \$251,984 (\$314,980 x 80%). The purchase price of the shares to be issued, based upon the ten-day weighted average share price immediately before the end of the vesting period, was \$9.30. Accordingly, a maximum of 27,095 (\$251,984/\$9.30) shares could have been issued, although it is noted only 17,241 shares were in fact issued as settlement was a combination of shares and/or cash. No payout was made in respect of the 2017 award as the adjusted ROE was less than 10% (see below).

The annual LTIP award will be determined by the CEO and approved by the Compensation Committee. The LTIP award for a particular year will be capped at the lesser of:

- (a) 5% of the Company's adjusted net earnings, as defined below, for the prior fiscal year; and
- (b) 50% of the prior fiscal year's short-term bonus pool for the executives participating in that year's LTIP award.

The Compensation Committee believes that dilution of up to 5% of annual adjusted net earnings is an appropriate award for the funding of long-term incentive plans.

The annual LTIP award will be adjusted based on a ROE payout multiplier determined by the Company's adjusted return on equity over the three-year period that an annual award vests. The estimated final payout will be measured and accrued in the accounts over the award's vesting period. The annual LTIP award will be paid out each year shortly after the end of the vesting period. Thus, the 2017 award, for example, would vest over the fiscal years ended December 31, 2017, 2018 and 2019 and would have been paid out in early 2020 upon finalization of the three-year average adjusted ROE and related payout multiplier, as discussed below, and the ten-day weighted average share price immediately before December 31, 2019, had the payout not been calculated to be zero.

The ultimate payout starts with the annual LTIP award and at the end of the vesting period, a ROE payout multiplier will be applied based upon the average three-year adjusted return on equity ("Adjusted ROE") achieved over the vesting period. The Adjusted ROE will be calculated based upon the Company's consolidated financial operating performance over a particular vesting period. Adjusted ROE in a particular year being adjusted net earnings divided by average shareholders' equity in the year, where adjusted net earnings comprises net earnings before stock-based compensation expense, restructuring expenses, amortization of intangibles and direct transaction costs related to business acquisitions, all net of tax, as well as withholding tax paid on inter-company dividends from subsidiaries (or other adjustments as approved from time-to-time by the Compensation Committee).

The LTIP payout multiplier will range between 0% and 130% and the annual LTIP award will be multiplied by this percentage to determine the final payout for a particular award year. The payout multiplier to be applied to the annual LTIP award will be based on the Adjusted ROE as follows:

- |   |                              |
|---|------------------------------|
| • average Adjusted ROE over vesting period less than 10%    | - no LTIP award payout;      |
| • average Adjusted ROE over vesting period between 10 & 11% | - 70% of LTIP award payout;  |
| • average Adjusted ROE over vesting period between 11 & 12% | - 80% of LTIP award payout;  |
| • average Adjusted ROE over vesting period between 12 & 13% | - 90% of LTIP award payout;  |
| • average Adjusted ROE over vesting period between 13 & 14% | - 100% of LTIP award payout; |
| • average Adjusted ROE over vesting period between 14 & 15% | - 110% of LTIP award payout; |
| • average Adjusted ROE over vesting period between 15 & 16% | - 120% of LTIP award payout; |
| • average Adjusted ROE over vesting period over 16%         | - 130% of LTIP award payout. |

The target average annual Adjusted ROE of 13% over the vesting period results in a 100% payout of the LTIP award (and each individual executive's LTIP award allocation). An Adjusted ROE of less than 10% annually over the vesting period would result in no payout for that vesting period, as was the case for the 2017 award, and the award will expire worthless. An average Adjusted ROE in excess of 16% over the vesting period will result in a maximum 130% payout of the annual LTIP award.

If a named senior executive ceases to be employed by reason of retirement, death or any other reason, other than for cause, then the executive will be considered as having participated in any yearly award for a full year if they leave after June 30 of a particular fiscal year. Their participation in any yearly plan shall be the number of years served as a fraction of three, being the vesting period for each LTIP award. The number of shares to be issued will only be determined at the end of the awards vesting period in which the executive is participating.

The benefits and rights to any participant in accordance with the terms and conditions of the LTIP are not transferable and all benefits and rights shall only accrue to the participants, or in the event of death, their estate.

If there is a takeover, consolidation, merger or statutory amalgamation or arrangement of the Company with or into another company, a separation of the business of AFC into two or more entities or a transfer of all or substantially all of the assets of the Company to another entity or change in control, the executives will be entitled to receive the award as if they had exercised the unvested award immediately prior to such an event, unless the Board otherwise determines the basis upon which such unvested award is exercisable.

The Board of Directors, through its Compensation Committee, reserves the right to amend, modify or terminate the LTIP at any time without shareholders' approval if and when it is advisable to do so in the absolute discretion of the Board. Examples of such amendments include changes to the vesting period, term, ROE payout multiplier, method of determining the purchase price of the shares issuable under the LTIP, as well as housekeeping changes. However, if any amendments to the LTIP would (i) materially increase the benefits under the LTIP or (ii) materially increase the shares which may be issued under the LTIP, then these amendments shall be effective only upon approval of the Company's shareholders. Any material amendments to any provisions of the LTIP shall be subject to the necessary approvals of the TSX or other regulatory body having jurisdiction over the shares of the Company.

### ***Executive Share Ownership Guidelines***

As part of the introduction of the LTIP, the Compensation Committee believes that there should be share ownership guidelines for the senior executive group who participate in the LTIP. The following table sets out share ownership guidelines, which are designed to align the interests of senior executives with those of the Company's shareholders, and the transition period to meet the guidelines.

<b>Title</b>	<b>Share Ownership Guideline</b>	<b>Time to Meet</b>
President & Chief Executive Officer	1.0 x base salary	3 years
Subsidiary Presidents	1.0 x base salary	3 years
Executive Vice Presidents	0.5 x base salary	5 years
Senior Vice Presidents	0.5 x base salary	5 years
Vice Presidents	0.5 x base salary	5 years

### **SUMMARY OF SHARE APPRECIATION RIGHTS PLAN**

The Company has a SARs plan whereby SARs are granted to directors and key managerial employees of the Company. The SARs plan is intended to provide a long-term incentive to attract, motivate and retain directors and key management employees by providing them with the opportunity to benefit from the Company's growth thereby giving them an interest in preserving and maximizing shareholder value in the long term.

The maximum number of SARs which may be issued in any fiscal year under the plan is 2.5% of the total number of issued and outstanding shares of the Company. The SARs will have a strike or exercise price at the time of grant equal to the ten-day volume weighted average trading price of the Company's shares on the TSX immediately preceding the date of grant, or other ten-day period that the Board may determine. An employee will have the right to sell part or all of their SARs after holding them for a minimum of 24 months. In the event of a change of control all non-vested SARs would immediately vest. Each employee's SARs not sold to the Company will be automatically sold on the last business day on or preceding the fifth anniversary following such grant. Directors have no minimum holding period (i.e. they vest immediately). The payout price directors and employees receive upon exercise of their SARs is based upon the ten-day volume weighted average share price that the Company's shares traded on the TSX immediately preceding the date of exercise and the holder thereof will receive a cash amount per right equal to the difference between the payout price and strike or exercise price, less any applicable income taxes thereon.

No SARs have been granted by the Company since 2011. No SARs remained outstanding at December 31, 2019. In 2015, the Company's Board introduced the LTIP to replace the SARs plan as a means of providing a long-term incentive to key management employees of the Company, while it reverted back to the NEDSOP as a means of providing a long-term incentive to non-executive directors. Accordingly, it is expected that there will be no further SARs grants by the Company.

## SUMMARY OF STOCK OPTION PLANS

Stock Option Plans Approved by Shareholders	Number of Common Shares to be Issued upon Exercise of Outstanding Options (Column A)	Weighted Average Exercise Price of Outstanding Options (\$)	Number of Common Shares Remaining Available for Future Issuance under Stock Option Plans (excluding securities reflected in Column A)
Key Employee Stock Option Plan	-	-	62,000
Non-Executive Directors Stock Option Plan	160,000	9.42	214,000
Total	160,000	9.42	276,000

The Company has two stock option plans, namely, the KESOP and NEDSOP, which were approved by the Company's shareholders on May 29, 1995 and May 19, 1999, respectively. The number of shares currently reserved for issuance under the KESOP may not exceed 1,000,000 (representing 11.7% of the issued and outstanding shares as of the date hereof), while the number of shares currently reserved for issuance under the NEDSOP may not exceed 500,000 (representing 5.8% of the issued and outstanding shares as of the date hereof). At April 3, 2020, no options were outstanding pursuant to KESOP, while 160,000 options were vested and outstanding pursuant to NEDSOP. At April 3, 2020, an aggregate of 938,000 options had been exercised under the KESOP, while 126,000 options had been exercised under the NEDSOP. Accordingly, the Company may grant an additional 62,000 options under the KESOP (representing 0.7% of the issued and outstanding shares as of the date hereof), while it may grant an additional 214,000 options under the NEDSOP (representing 2.5% of the issued and outstanding shares as of the date hereof).

The purpose of the KESOP is to attract, retain and motivate key managerial employees of the Company and its subsidiaries by providing them with a long term incentive, through share options, to acquire a proprietary interest in the Company and benefit from its growth thereby giving them an interest in preserving and maximizing shareholder value in the long term. Similarly, the NEDSOP provides non-executive directors with an opportunity to acquire a proprietary interest in the Company and to benefit from its growth.

Options may be granted under the plans by the Board, pursuant to the recommendations of the Compensation Committee, to non-executive directors, executives, officers and key employees of the Company. Options granted under the plans are not transferable and are granted for terms of approximately six years under the KESOP and five years under the NEDSOP. KESOP grants vest over a three-year period, while NEDSOP grants vest over a two-year period. In the event of a change of control all non-vested options would immediately vest. The total number of shares reserved for issuance to any one person pursuant to the KESOP and NEDSOP shall not exceed 2.5% and 5.0%, respectively, of the issued and outstanding shares from time to time. The exercise price of options granted under the plans may not be lower than the fair market value of the shares at the time of grant. The fair market value of the shares is based upon the prior trading day's closing price of the shares on the TSX. In the event that any optionee ceases to be an employee or director of the Company for any reason, the optionee will be entitled to only exercise his or her vested options within a period of 60 days following his or her ceasing to be an employee or director, or prior to the expiry date thereof, whichever is earlier. In the event of the death of an employee or director, his or her estate may exercise such vested options for a period of up to six months succeeding the optionee's death, or prior to the expiry date thereof, whichever is earlier.

The Board may at any time amend or terminate the plans, but where there is a material amendment, such amendment will be subject to regulatory and shareholder approval. The Company has issued no options to employees under the KESOP since May 2004. As noted on page 6 above, no options were granted to the Company's four non-executive directors under the NEDSOP during the year ended December 31, 2019. As noted on page 6, each of the Company's non-executive directors held 40,000 options at December 31, 2019 all of which were vested.

## SHARES ISSUABLE UNDER SHARE-BASED INCENTIVE COMPENSATION PLANS

The Company has three share-based compensation arrangements pursuant to which shares may be issued from treasury as follows:

- (a) the LTIP pursuant to which a maximum of 380,959 shares are issuable, representing 4.5% of the issued and outstanding shares of the Company as of the date hereof;
- (b) the NEDSOP pursuant to which 374,000 shares are issuable, representing 4.4% of the issued and outstanding shares of the Company as of the date hereof; and
- (c) the KESOP pursuant to which 62,000 shares are issuable, representing 0.7% of the issued and outstanding shares of the Company as of the date hereof.

Accordingly, an aggregate of 816,959 shares are currently issuable under all share-based compensation arrangements of the Company, representing 9.5% of the issued and outstanding shares of the Company as of the date hereof.

## STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Board and management of the Company are committed to strong corporate governance and believe it is a vital component for the effective and efficient operation and future success of the Company. Good corporate governance demonstrates the Board's ability to independently direct and evaluate the performance of the Company's management, as well as that of the Board members themselves. This is achieved through a well-qualified Board, a strong relationship between the Board and senior management, and strong governance practices and procedures.

The Company has considered the guidance provided by Canadian Security Administrators ("CSA") National Policy 58-201, Corporate Governance Guidelines ("NP 58-201"), in developing its corporate governance practices. NP 58-201 is intended to assist companies in improving their corporate governance practices and contains guidelines on issues such as the constitution and independence of corporate boards and their functions. The Company's corporate governance practices generally comply with NP 58-201's fundamental principles. The Company also follows the provisions of CSA's National Instrument 58-101, Disclosure of Corporate Governance Practices, with respect to the disclosure of its corporate governance practices.

CSA has also enacted rules regarding the composition of audit committees (National Instrument 52-110 – Audit Committees) and the certification of an issuer's disclosure controls and procedures and internal control over financial reporting (National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings). In addition, the Company has adopted a Majority Voting Policy pursuant to Section 461.3 of the Toronto Stock Exchange's Company Manual. The Company is in compliance with the requirements of these instruments.

The Company's corporate governance practices are outlined below.

### **Mandate and Responsibilities of the Board**

Each year the shareholders of Accord elect the members of the Board, who in turn are responsible for overseeing all aspects of the Company's business, including appointing management and ensuring that the business is managed properly, taking into account the interests of the shareholders and other stakeholders, such as employees, clients, suppliers and the community at large. The Board's duties are formally set out in its Charter, a copy of which is attached as Appendix 'A'. In addition to the Board's statutory obligations, the Board is specifically responsible for:

- a) satisfying itself as to the integrity of the Company's CEO and other executive officers and that they create a culture of integrity within the Company;
- b) adoption of a strategic planning process – the Board oversees strategic planning initiatives, provides direction to management and monitors its success in achieving those initiatives;
- c) identification of the principal risks of the Company's business and ensuring that there are systems in place to effectively monitor and manage these risks. In this respect, the Credit Committee of the Board, which comprises three independent members thereof, reviews and approves all credit requests above \$2.5 million (US\$2.5 million for U.S group companies), including loans to clients and assumption of credit risk, and in doing so it works closely with the Company's management;
- d) appointing and monitoring senior management and planning for succession – the Board evaluates senior management on a regular basis, sets objectives and goals and establishes compensation to attract, retain and motivate skilled and entrepreneurial management;
- e) a communications policy to communicate with shareholders and other stakeholders involved with the Company – the Company has procedures in place to disseminate information, respond to inquiries, and issue press releases covering significant business activities;

- f) the integrity of the Company’s internal control and management information systems – the Audit Committee of the Board oversees the integrity of the Company’s internal control and management information systems and reports to the Board;
- g) reviewing the Company’s quarterly and annual financial reports, including financial statements, MD&A and related press releases, and overseeing its compliance with applicable audit, accounting and reporting requirements through the functions of its Audit Committee; and
- h) ensuring strong governance is in place by establishing structures and procedures to allow the Board to function independently of management, establishing Board committees to assist it in carrying out its responsibilities and undertaking regular evaluation as to the effectiveness and independence of the Board.

In addition to those matters which must by law be approved by the Board, management seeks Board approval for any transaction that is outside of the ordinary course of business or could be considered to be material to the business of the Company. The Board expects its directors to adhere to the highest standards of business and personal ethics and to conduct itself with the utmost degree of honesty and integrity in fulfilling its duties and responsibilities and complying with all applicable laws and regulations. In the very rare cases where any director or executive officer has a conflict of interest or a material interest in any transaction or arrangement being considered, he will abstain from voting on that transaction or arrangement.

The frequency of the meetings of the Board, as well as the nature of agenda items, change depending upon the state of the Company’s affairs and in light of opportunities or risks which the Company faces. The Board meets at least quarterly to review the business operations and financial performance of the Company, including regular meetings both with, and without, management to discuss specific aspects of the Company’s operations. Each director is expected to attend all Board meetings and comprehensively review meeting materials provided in advance of each meeting. During 2019 there were four meetings of the Board. Details of director attendances at those meetings are set out on page 4 above. There was an “in camera” session towards the end of each of the four Board meetings in which independent directors met without the Company’s executive directors.

#### **Majority Voting Policy in Director Elections**

The Board has adopted a MVP that allows, in an uncontested election of directors, shareholders to vote in favor of, or to withhold from voting, separately for each director nominee. Pursuant to this policy, if the number of votes withheld for a particular director nominee is more than the votes in favour of such a person, the director nominee will be required to immediately submit his resignation to the Board for consideration by it. The Board will be expected to accept the resignation unless it determines that there are exceptional circumstances that justify delaying acceptance or rejecting the resignation. In reaching its decision, the Board may consider all factors it deems relevant. Within 90 days following the Company’s annual meeting, the Board will make its decision with respect to the resignation and disclose it by means of a press release. If the resignation is declined, the press release will include the reason(s) for reaching that decision. A director who tenders their resignation pursuant to this MVP will not be permitted to participate in any meeting of the Board at which the resignation is considered. The Board may adopt procedures as it deems fit for the administration of its MVP.

#### **Director Term Limits**

The Company’s Board has not established any term limits for Board renewal. It feels the benefits achieved through continuity and having experienced and skilled directors who have developed in-depth knowledge of the Company, its strategy and business operations, and the specific specialized industry in which it operates currently outweighs the need for renewal and fresh perspectives. However, the Company’s Board considers the performance and contribution of individual directors on an ongoing basis and the Board’s capabilities have been upgraded in recent years. Of the current seven directors, six have been appointed or elected since July 28, 2009. The current Board comprises a majority of independent directors. All directors stand for re-election annually at the Company’s Annual Meeting.

#### **Composition of the Board**

The Board currently comprises seven persons and is chaired by Mr. Ken Hitzig. Of the current Board, four directors (Messrs. David Beutel, Gary Prager, Robert Sandler and Stephen Warden) are considered to be independent, since their respective relationships with the Company are independent of management and free from any interest or business which could reasonably be perceived to materially interfere with or compromise each director’s ability to act independently in the best interests of the Company, other than interests arising from shareholdings. Mr. Simon Hitzig, CEO, Mr. Ken Hitzig, Executive Chairman, and Tom Henderson, Executive Vice Chairman, are officers of the Company and are, by definition, non-independent directors. Directors are elected for a term expiring at the conclusion of the Company’s next annual shareholders’ meeting or until their successors are duly appointed pursuant to the Business Corporations Act. All directors are eligible to stand for re-election annually at the Company’s Annual Meeting. The biographies of the directors standing for election at the May 6, 2020 Annual Meeting are set out above.

Messrs. Henderson and Sandler are not standing for re-election. Board members may also act as directors of other public companies. These directorships, if any, are set out in each Board member's biography.

Currently, the Chairman of the Board, Mr. Ken Hitzig, is an executive of the Company and one of its three non-independent directors. Mr. Hitzig founded the Company in 1978 and has been its Chairman since inception. Mr. Hitzig's family is the largest shareholder of the Company, holding approximately 30% of its issued and outstanding shares at the date hereof. The Company believes that the separation of the CEO and Chairman positions contributes to allowing the Board to function independently of management. Further, as discussed below, the Company's Audit and Credit Committees comprise solely of independent directors, while its Compensation Committee comprises a majority of independent directors.

The Board has considered its size and believes that between six and eight members is the ideal size of Board for a company of Accord's size to facilitate effective decision making and direct and immediate communication between the directors and management. The size of the Company's Board permits individual directors to involve themselves directly in specific matters where their personal inclination or experience will best assist the Board and management in dealing with specific issues, such as credit review and approval.

The Board has neither a corporate governance committee nor a nominating committee preferring instead to perform these functions directly at the Board level. The Board and its committees have had, and continue to have, varied responsibilities. They include nominating new directors, assessing the effectiveness of the Board, its committees and members individually and as a whole, approving requests of directors to engage outside advisors at the expense of the Company and reviewing the adequacy and form of compensation of directors. The Board's next evaluation is expected to be in 2020. This will review the effectiveness of the Board and its committees, the contribution of individual directors, as well as overall governance matters.

Considering the size of the Company, the Board itself is responsible for identifying and considering prospective candidates to be appointed or elected by the shareholders to the Board. Nominees must have the required qualifications, expertise, skills and experience in order to add value to the Board and must exhibit the highest degree of integrity, professionalism, values and independent judgement. The Board solicits the names of candidates possessing these qualities from discussions with members of the Board, senior management and other outside sources, such as shareholders and the Company's lawyers and accountants. Shareholders are encouraged to participate in the process of recommending candidates for the Board. A list of candidates is then drawn up and considered by the Board who will interview them to determine their suitability. The Board then decides which candidate(s) will be appointed directly or nominated for election by the shareholders. Directors' compensation is set after giving due consideration to the directors' workload and responsibilities and reviewing compensation paid to directors of similar-sized public companies. Compensation paid to each of the Company's directors in 2019 is set out on page 6 above.

Given that there have only been eight new directors of the Company in the past ten years, most of whom were familiar with the Company and its business at the time of appointment, no formal orientation and education program for new directors is currently considered necessary. However, as individual circumstances dictate, each new director receives a detailed orientation to the Company, which covers the nature and operations of the Company's business and his responsibilities as a director. Directors receive the Company's consolidated financial statements and those of its operating subsidiaries each month, as well as being involved in the more significant credit and risk management decisions. As a small company, directors work closely with the Company's management and tend to have an in-depth knowledge of its operations. The Company's principal risks are set out in its 2019 Management Discussion and Analysis and note 23 to its audited consolidated financial statements, which form part of its 2019 Annual Report; this report was mailed to shareholders with this Circular. Directors are also expected to continually educate themselves to maintain and update the skills and knowledge necessary for them to meet their legal duties and obligations as directors. They do this principally through attendance at seminars and the review of publications and materials relevant to a director's role as provided by the Company's management, external auditors, lawyers, other directorships and outside sources.

### **Committees of the Board**

The Board discharges its responsibilities directly and through three committees: an Audit Committee, a Compensation Committee and a Credit Committee. The Board's Audit and Credit Committees are comprised of three independent directors, which help ensure objectivity in matters where management's influence could be prevalent, while the Compensation Committee is comprised of a majority of independent directors.

The Audit Committee is currently composed of Mr. Stephen Warden, Chairman, Mr. David Beutel and Mr. Gary Prager. Each member of the Audit Committee is financially literate, that is, they are able to read and understand fundamental financial reports and statements. The Charter of the Audit Committee, available on the Company's website and attached as Appendix A to its Annual Information Form ("AIF") filed under the Company's profile on

SEDAR, sets out the committee's responsibilities which include reviewing quarterly and annual financial reports, principally financial statements, MD&A and related press releases, before they are approved by the Board; making recommendations to the Board regarding the appointment of independent auditors and assuring their independence; meeting with the Company's management at least quarterly; reviewing annual audit findings with the auditors and management; and reviewing the risks faced by the Company, the business environment, the emergence of new opportunities, and the steps management has taken to mitigate exposure to significant risks. During 2019 there were four meetings of the Audit Committee, member attendances at which are set out on page 4 above.

The Audit Committee has adopted a corporate Code of Ethics and a "Whistleblower Policy" whereby any director, officer or employee of the Company or its subsidiaries who is aware of any acts by a director, officer or employee which are in contravention of the standards of business and personal ethics required of them by the Company, or in violation of applicable laws and regulations, is required to bring such matters to the attention of management or directly to the Chairman of the Audit Committee. The Chairman of the Audit Committee advises in each Audit Committee meeting if any matters have been reported to him under the Whistleblower Policy since the previous meeting. All reported matters are investigated and appropriate action taken if warranted. The Company's Code of Ethics and Whistleblower Policy are available on its website. All new directors and employees acknowledge they have read the Code of Ethics and confirm that they will comply with its terms.

The Compensation Committee is currently composed of Messrs. Ken Hitzig, Robert Sandler and Stephen Warden. The Compensation Committee's mandate includes evaluating the performance of the Company's executives and making recommendations for approval by the Board with respect to their remuneration. The Compensation Committee reviews compensation paid to management of similar-sized companies to ensure that remuneration is consistent with industry standards. The Compensation Committee also considers and makes recommendations with respect to such matters as short- and long-term incentive plans, employee benefit plans and the structure and granting of LTIP awards, stock options or SARs. The Company's 2019 Compensation Discussion and Analysis report to shareholders is set out on page 7 above. During 2019 there were four meetings of the Compensation Committee, member attendances at which are set out on page 4 above.

The Board's Credit Committee is currently composed of Messrs. David Beutel, Gary Prager and Robert Sandler. The purpose of the Credit Committee is to manage the Company's credit risk in respect of larger exposures to clients and customers. The Credit Committee reviews and approves all client and customer credit in excess of \$2.5 million (US\$2.5 million U.S. for group companies), including loans to clients and assumption of credit risk.

### **Expectations of Management**

The Board expects management to adhere to the highest standards of business and personal ethics and to conduct itself with the utmost degree of honesty and integrity in fulfilling its duties and responsibilities and complying with all applicable laws and regulations. The Board expects management to operate the Company in accordance with approved annual business and strategic plans, to do everything possible to enhance shareholder value and to manage the Company in a prudent manner. Management is expected to provide regular financial and operating reports to the Board and to make the Board aware of all important issues and major business developments, particularly those that had not been previously anticipated. Management is expected to seek opportunities for business acquisitions and expansion, and to make appropriate recommendations to the Board.

The Company's CEO, Mr. Simon Hitzig, was appointed to that position on October 1, 2018. Neither Mr. Ken Hitzig nor Mr. Simon Hitzig have formal written position descriptions. As noted above, Mr. Ken Hitzig founded the Company in 1978 and his family is a significant shareholder therein. He has over fifty year's experience in the asset-based lending and factoring business and has been the Company's Chairman since its inception. As such, he is intimately aware of the requirements of the Chairman's position and no formal written position description is considered necessary. Mr. Simon Hitzig, prior to his appointment as CEO, met with members of the Board, who outlined their requirements, goals and expectations of him. Simon Hitzig has been associated with the finance industry since 1987. He was a director of the Company from May 7, 2008 to February 22, 2011 and was President of Accord Financial Ltd. from July 1, 2011 till September 30, 2017 after which he was promoted as Senior Vice President, Corporate Development of the Company, a position he held till September 30, 2018. Given the small size of the Company and the regular ongoing interaction between the Board, and its Executive Chairman and Vice Chairman since 2011, Mr. Simon Hitzig is fully aware of the requirements of his position as CEO and no formal written position description is considered necessary.

### **Gender Diversity and the Representation of Women on the Board and in Executive Officer Positions**

The Company does not currently have a formal policy regarding the representation of women on its Board and, as such, has no targets therefor. The Company currently has no (0%) female directors, although one of the nominees for election at the May 6, 2020 annual general meeting is female. The Board believes that the key to effective leadership

is to choose directors that, having regard to a wide variety of factors, are the best qualified for the position at such time, namely, those that possess the range of necessary independence, skills, specific industry experience, integrity, commitment, qualifications, as well as the ability to devote the time required and a willingness to serve. The Company believes that these considerations are the most important in assessing the value an individual can bring to and contribute to the Board, although it is noted that in recent searches for new director candidates, the Company has considered gender diversity in its selection criteria as it seeks to identify potential candidates who are best qualified to act as a director of Accord irrespective of gender and has, as noted above, in fact nominated a female for election to the Company's Board at its May 6, 2020 Annual Meeting.

The Company does not have a policy regarding the representation of women in executive officer positions and, as such, has no targets therefor. In reviewing executive officer diversity, the Company believes that prospective executive officer appointments should be based upon the individual candidate being the best qualified for the position at such time. The Company does not believe that quotas or strict rules necessarily result in the identification or selection of the best qualified candidates for executive officer positions, although it recognizes there are benefits to gender diversity. Accordingly, the Company will be mindful of the benefit of gender diversity in the selection of new executive officers. The Company currently employs 19 persons in the position of Vice President or above. Of these, four (21.1%) are female.

### **AUDIT COMMITTEE OF THE BOARD**

The overall purpose of the Audit Committee is to support the Board in its stewardship function with respect to the integrity of the Company's internal control systems and financial reporting. It also ensures the independence of the Company's external auditors, sets their fees, and oversees and considers the results of their work in assessing the integrity of the Company's financial reporting in order to provide shareholders and the general public with timely, appropriate and reliable information.

Information relating to the Company's Audit Committee is set out on pages 14 and 15, as well as Appendix A (Audit Committee Charter), of its 2019 AIF, which pages are incorporated herein by reference. The 2019 AIF is filed under the Company's profile on SEDAR (see additional information below).

### **DIRECTORS' AND OFFICERS' LIABILITY INSURANCE**

The Company has purchased a Directors and Officers Liability Insurance Policy, which expires on October 31, 2020, for the benefit of its directors and officers and those of its subsidiaries. The limit of such insurance is \$5,000,000. Deductibles range up to \$25,000 per claim. The 2019 - 2020 annual premium was \$18,306.

### **OTHER BUSINESS**

Management of the Company knows of no matters to come before the Meeting other than the matters referred to in the Notice of Annual Meeting of Shareholders accompanying this Circular. However, if any other matters, which are not known to management, should properly come before the Meeting, it is the intention of the persons designated in the form of proxy accompanying this Circular to vote upon such matters in accordance with their best judgment.

### **ADDITIONAL INFORMATION**

Additional information pertaining to the Company is available under its profile on SEDAR at [www.sedar.com](http://www.sedar.com), as well as on its website [www.accordfinancial.com](http://www.accordfinancial.com). Additional financial information is provided in the Company's Audited Consolidated Financial Statements and Management's Discussion and Analysis for the year ended December 31, 2019, which are set out in the Company's 2019 Annual Report, as well as filed individually on SEDAR. Copies of the Annual Report, the Annual Information Form and this Management Information Circular may be downloaded from SEDAR or obtained upon request from Mr. Jim Bates, the Secretary of the Company, at:

Accord Financial Corp.  
40 Eglinton Avenue East  
Suite 602  
Toronto, Ontario  
Canada M4P 3A2

Telephone: 416-961-0007  
Fax: 416-961-9443  
Email: [jbates@accordfinancial.com](mailto:jbates@accordfinancial.com)

**DIRECTORS' APPROVAL**

Unless otherwise stated, all information contained herein is given as of the date hereof. The contents of this Circular have been approved and the delivery of it to each shareholder of the Company entitled thereto and to the appropriate regulatory agencies has been authorized by the Board of Directors of the Company.

Dated at Toronto, Ontario, the 3<sup>rd</sup> day of April 2020

**BY ORDER OF THE BOARD OF DIRECTORS**

A handwritten signature in black ink, appearing to read 'J. Bates', with a long horizontal flourish extending to the right.

Jim Bates  
Secretary

## **ACCORD FINANCIAL CORP.**

### **CHARTER OF THE BOARD OF DIRECTORS**

#### **MANDATE**

The business and affairs of Accord shall be managed and controlled by, or under the direction of, its Board, who will promote the best interests of Accord's shareholders through an increase in corporate profits and the creation and enhancement of shareholder value.

The Board shall have two fundamental roles: decision-making and oversight. The decision-making function shall be exercised, with management, to the formulation of fundamental policies and strategic goals and through the approval of certain significant actions; oversight concerns the review of management decisions, adequacy of systems and controls and policy implementation.

The Board shall establish formal delegations of authority, defining the limits of management's power and authority and delegating to them certain powers to manage the business of Accord and shall conform to statutory limitations specifying responsibilities of the Board that cannot be delegated to management. Any responsibilities not delegated to management remain with the Board and its committees.

#### **DUTIES**

The Board is responsible for the following matters:

##### **Strategic planning**

- Supervise the formulation of Accord's strategic direction, plans and priorities
- Monitor the implementation and effectiveness of approved strategic and operating plans
- Review and approve corporate financial goals and operating plans and actions, including capital allocations, expenditures and transactions which exceed threshold amounts set by the Board
- Approve major business decisions, including acquisitions and divestitures

##### **Identification and management of risks**

- Ensure processes are in place to identify the principal risks of Accord's business
- Review systems implemented by management to manage those risks
- Review processes that ensure respect for, and compliance with, applicable regulatory, corporate, securities and other legal requirements
- Review and approve applications for credit, loans and investments above threshold amounts through the Board's Credit Committee

##### **Succession planning and management evaluation**

- Supervise Accord's succession planning processes, including the selection, appointment, development, evaluation and compensation of the Chairman of the Board, President and senior management team

##### **Oversight of communications and public disclosure**

- Assess the effectiveness of Accord's communications policy
- Oversee establishment of processes for accurate, timely and full public disclosure
- Review due diligence processes and controls in connection with certification of Accord's financial statements

##### **Internal controls, financial reporting and dividends**

- Review the effectiveness of Accord's internal controls and management information systems
- Review and approve Accord's financial statements and oversee their compliance with applicable audit, accounting and reporting requirements
- Declare dividends

## **Governance**

- Establish appropriate structures and procedures that allow the Board to function independently of management
- Establish Board committees and define their mandates to assist the Board in carrying out its roles and responsibilities
- Undertake regular evaluation of the Board, its committees and members, and review its composition with a view to the effectiveness and independence of the Board and its members

## **BOARD COMPOSITION AND APPOINTMENT**

The Board shall comprise between six and eight directors. The number of directors can be changed from time to time by way of a special resolution of shareholders or by way of a majority vote of the Board pursuant to authority granted to the Board by Accord's shareholders. A majority of the Board shall be unrelated and independent, as defined by instrument from time to time. The Board's committees shall comprise a majority of independent directors.

Each member of the Board shall serve for a term of approximately one year, namely, until the next annual meeting of shareholders following their appointment. There is no limit on the number of terms that a director may serve and no mandatory retirement age.

Each member of the Board shall be a person of integrity, with significant accomplishments and recognized business stature, and who will bring a variety of perspectives to the Board. In determining the composition of the Board, consideration shall also be given to the overall mix of skill, experience, independence, stature and diversity of background likely to make the Board, as a body, effective in overseeing and monitoring the performance of Accord and contributing to its success. The Board shall review its membership, both individually and as a body, on a regular basis to assure that it meets these criteria. The Board shall regularly assess and review the appropriate qualifications required of any new members, based upon its current composition, as well as any other skills, experience or characteristics needed or desired.

Directors selected must be able to commit the requisite time for preparation and attendance at regularly scheduled board meetings and assigned committee(s), and be able to devote time and attention to other matters deemed necessary for good corporate governance. Each member of the Board is expected to become familiar with Accord's business, including the economic and competitive environment in which it operates. Accordingly, each member of the Board should develop a basic understanding of: (a) the principal operational, financial and other plans, strategies and objectives of Accord; (b) the results of operations and financial condition of Accord for recent periods; and (c) the relative standing of Accord in the competitive marketplace.

## **ELECTION OF DIRECTORS OF THE BOARD**

Each Board member will be elected to full term by a plurality of votes cast at the annual shareholders' meeting. The Board has adopted a Majority Voting Policy governing director elections.

In the case of a vacancy on the Board, it is responsible for recommending individuals to be elected as directors, or to be nominated for election by the shareholders as directors. The Board shall obtain direct input from board members and the President, as well as third parties. New members will have an informal orientation that includes background information about Accord, meetings with senior management and visits to selected facilities.

## **COMMITTEES**

The Board shall discharge its responsibilities directly and through the Audit Committee, Compensation Committee and Credit Committee.

Audit Committee responsibilities are set out in its charter.

The Compensation Committee's mandate includes evaluating the performance of Accord's executives and recommendations for their compensation for approval by the Board. It also considers and makes recommendations with respect to short- and long-term incentive plans and employee benefit plans.

## **BOARD MEETINGS AND PROCEDURES**

The Board will meet at least once each quarter. Meeting length will be determined by agenda, to be established by any director and/or the President. Directors are expected to attend all board meetings, as well as all meetings of committees on which they serve. At all board meetings, one half of the total number of directors shall constitute a quorum for the transaction of business. The Board encourages senior management to bring managers into meetings, when they can provide additional insight into the matters being discussed because of their personal involvement in, or knowledge of, these matters.

The meeting Chair will designate someone to record the minutes of each meeting. Generally, the company secretary will be designated to perform that function and, in his or her absence, one of Accord's officers will be designated. All minutes shall be filed and maintained with Accord's records.

The Board may take any action taken at a meeting by unanimous written consent.

## **DIRECTOR COMPENSATION**

The Compensation Committee is responsible for recommending compensation for directors, and requires approval by a majority vote of the Board.

## **AMENDMENTS TO CHARTER**

This Charter may be amended or repealed by the Board at any time.