

**E-L FINANCIAL CORPORATION LIMITED**

**NOTICE OF ANNUAL MEETING  
OF SHAREHOLDERS**

**NOTICE IS HEREBY GIVEN** that the Annual Meeting of the Shareholders of **E-L FINANCIAL CORPORATION LIMITED** (hereinafter called "E-L Financial" or the "Company") will be held at St. Andrew's Club & Conference Centre, Caledonia Room, 150 King Street West, 27<sup>th</sup> Floor, Toronto, Canada, on Wednesday, May 10, 2017 at 11:30 a.m., Toronto time, for the following purposes:

1. To receive and consider the consolidated financial statements of the Company for the year ended December 31, 2016, together with the report of the auditors thereon.
2. To elect directors.
3. To reappoint PricewaterhouseCoopers LLP as auditors and to authorize the directors to fix the auditors' remuneration.
4. To transact such further or other business as may properly come before the meeting (or any postponement or adjournment thereof).

DATED at Toronto this 31<sup>st</sup> day of March, 2017.

By order of the Board of Directors



Richard B. Carty  
Vice-President, General Counsel  
and Corporate Secretary

**If you are unable to attend the meeting in person, please complete, date and sign the accompanying form of proxy and return it to the Company in the self-addressed envelope provided for that purpose.**



**E-L FINANCIAL CORPORATION LIMITED**  
**MANAGEMENT INFORMATION CIRCULAR**

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**E-L FINANCIAL CORPORATION LIMITED**  
**MANAGEMENT INFORMATION CIRCULAR**

**PROXY SOLICITATION**

**THIS MANAGEMENT INFORMATION CIRCULAR IS FURNISHED IN CONNECTION WITH THE SOLICITATION OF PROXIES BY THE MANAGEMENT OF E-L FINANCIAL CORPORATION LIMITED (HEREINAFTER, “E-L”, “E-L FINANCIAL” OR THE “COMPANY”) FOR USE AT THE ANNUAL MEETING OF THE SHAREHOLDERS OF THE COMPANY TO BE HELD AT ST. ANDREW’S CLUB & CONFERENCE CENTRE, CALEDONIA ROOM, 150 KING STREET WEST, 27<sup>TH</sup> FLOOR, TORONTO, CANADA, ON WEDNESDAY, MAY 10, 2017, AT 11:30 A.M. TORONTO TIME.**

The Notice of Meeting, this Management Information Circular, the form of proxy and the 2016 Annual Report (collectively, the “meeting materials”), are **not** available using notice-and-access.

The solicitation of proxies will be by mail, the expense of which will be borne by the Company. The Company does not mail meeting materials directly to either registered or non-registered shareholders. Computershare Investor Services Inc. (“Computershare”), the Company’s transfer agent, mails meeting materials to registered shareholders. Broadridge Investor Communications Solutions (“Broadridge”), the service company for most intermediaries (as further described on the following page), distributes meeting materials to all non-registered shareholders who have requested the meeting materials.

The currency date of the information contained in this information circular, unless otherwise specified, is March 3, 2017.

**VOTING SHARES**

Only registered holders (or their proxy holders) of the Series A Convertible Preference Shares (“Series A Preference Shares”) or Common Shares of the Company of record at the close of business on March 13, 2017 will be entitled to vote at the meeting.

There are issued and outstanding in the aggregate 258 Series A Preference Shares and 4,019,409 Common Shares in the capital of the Company, and each share is entitled to one vote.

**PRINCIPAL HOLDERS OF VOTING SHARES**

To the knowledge of the directors and senior officers of the Company, the only persons or corporations who beneficially owns, or controls or directs, directly or indirectly, more than 10% of such voting shares of the Company are Dominion and Anglo Investment Corporation Limited which owns 1,464,993 or 36.45% of the Common Shares and Canadian & Foreign Securities Co. Limited which owns 493,758 or 12.28% of the Common Shares.

**VOTING IN PERSON**

If you are a registered shareholders who will attend and vote in person at the meeting, you do not need to complete or return the accompanying form of proxy. Please register your attendance with the scrutineer, Computershare, upon arrival at the meeting.

Non-registered shareholders who wish to attend and vote at the meeting (or have another person attend and vote on the non-registered shareholder’s behalf) must complete the form of proxy, described under “Non-Registered Shareholders” by striking out the name of the persons named in the proxy and writing the name of the person who will attend and vote in the blank space provided.

## VOTING BY AND DEPOSIT OF PROXIES

Shareholders who do not plan to attend the meeting and vote in person can vote by using the form of proxy.

The form of proxy confers a discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of the Annual Meeting and other matters which may properly come before the meeting. **The persons named in the enclosed form of proxy will vote the shares in respect of which they are appointed in accordance with the instructions of the shareholders appointing them on any ballot that may be called for. In the absence of such instructions, such shares will be voted for the election of the persons named herein as proposed nominees for election as directors, for the reappointment of PricewaterhouseCoopers LLP as auditors of the Company and for authorization of the directors to fix the remuneration of the auditors. Management is not aware of any amendments, variations, shareholder proposals or other matter to be presented for action at the meeting, other than those disclosed in the Notice of Annual Meeting. However, if any such amendment, variation, shareholder proposal, or other matter should properly come before the meeting, the shares represented by proxies in favour of the management nominees will be voted on such matters in accordance with the best judgment of the proxy nominee.**

**A shareholder has the right to appoint a person to attend and to act for him and on his behalf at the meeting other than the management nominees designated in the form of proxy.** This right may be exercised by striking out the names of Duncan N.R. Jackman and Mark M. Taylor where they appear on the front of the form of proxy and inserting such other person's name in the blank space provided.

A proxy to be voted at the meeting must be received by (i) the Corporate Secretary of the Company at or prior to the commencement of the meeting (or any postponement or adjournment thereof) or (ii) Computershare, attention Investor Services at 100 University Avenue, 8<sup>th</sup> Floor, Toronto, Ontario M5J 2Y1 not later than two business days before the meeting (or any postponement or adjournment thereof).

## NON-REGISTERED SHAREHOLDERS

In many cases, the Common or Series A Preference Shares of the Company beneficially owned by a holder (a "non-registered shareholder") is registered either:

- (a) in the name of an intermediary (an "Intermediary") that the non-registered shareholder deals with in respect of the shares. Intermediaries include banks, trust companies, securities dealers or brokers, and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans; or
- (b) in the name of a depository (such as The Canadian Depository for Securities Limited or "CDS").

Intermediaries are required to forward meeting materials to non-registered shareholders unless a non-registered shareholder has waived the right to receive them. Typically, Intermediaries will use a service company such as Broadridge to forward the meeting materials to non-registered shareholders.

Non-registered shareholders will receive either a voting instruction form or, less frequently, a form of proxy. The purpose of these forms is to permit the non-registered shareholders to direct the voting of the shares they beneficially own. Non-registered shareholders should follow the procedures set out below, depending on which type of form they receive:

- (a) Voting Instruction Form. In most cases, a non-registered shareholder will receive, as part of the meeting materials, a voting instruction form. If the non-registered shareholder does not wish to attend and vote at the meeting in person (or have another person attend and vote on the non-registered shareholder's behalf) the voting instruction form must be completed, signed and returned in accordance with the directions on the form. Voting instruction forms sent by Broadridge permit the completion of the voting instruction form by telephone or through the Internet at [www.proxyvotecanada.com](http://www.proxyvotecanada.com). If a non-registered shareholder wishes to attend and vote at the meeting in person (or have another person attend and vote on the non-registered shareholder's behalf), the non-registered shareholder must complete, sign and return the voting instruction form in accordance with the directions provided and a form of proxy giving the right to attend and vote will be forwarded to the non-registered shareholder; or

- (b) Form of Proxy. Less frequently, a non-registered shareholder will receive, as part of the meeting materials, a form of proxy that has already been signed by the Intermediary (typically by a facsimile, stamped signature) which is restricted as to the number of shares beneficially owned by the non-registered shareholder but which is otherwise uncompleted. If the non-registered shareholder does not wish to attend and vote at the meeting in person (or have another person attend and vote on the non-registered shareholder's behalf), the non-registered shareholder must complete the form of proxy and deposit it with the Company at 165 University Avenue, 10<sup>th</sup> Floor, Toronto, Ontario M5H 3B8. If a non-registered shareholder wishes to attend and vote at the meeting in person (or have another person attend and vote on the non-registered shareholder's behalf), the non-registered shareholder must strike out the name of the persons named in the proxy and insert the non-registered shareholder's (or such other person's) name in the blank space provided.

**Non-registered shareholders should follow the instructions on the forms they receive and contact their Intermediaries promptly if they need assistance.**

### **REVOCAATION**

A registered shareholder who has given a proxy may revoke the proxy by:

- (a) completing and signing a proxy bearing a later date and depositing it with Computershare or the Company as described earlier; or
- (b) depositing an instrument in writing executed by the shareholder or by the shareholder's attorney authorized in writing: (i) at the registered office of the Company at any time up to and including the last business day preceding the day of the meeting, or any postponement or adjournment of the meeting, at which the proxy is to be used, or (ii) with the Chairman prior to the commencement of the meeting on the day of the meeting or any adjournment of the meeting; or
- (c) in any other manner permitted by law.

A non-registered shareholder may revoke a voting instruction form or a waiver of the right to receive meeting materials and to vote given to an Intermediary at any time by written notice to the Intermediary, except that an Intermediary is not required to act on a revocation of a voting instruction form or of a waiver of the right to receive materials and to vote that is not received by the Intermediary at least seven days prior to the meeting.

## MATTERS FOR CONSIDERATION OF SHAREHOLDERS

### ELECTION OF DIRECTORS

A Board of nine directors is to be elected at the Annual Meeting of Shareholders to serve until the next Annual Meeting or until their successors are elected or appointed. Unless the authority to do so is withheld, proxies in favour of management nominees will be voted for the election of the following proposed nominees as directors. If any of the proposed nominees should for any reason be unable to serve as a director of the Company, the persons named in the enclosed form of proxy reserve the right to nominate and vote for another nominee in their discretion, unless the shareholder has specified in the proxy that the shares are to be withheld from voting in the election of directors. Each nominee resides in Ontario, Canada with the exception of Mr. C.P. Rowe who is resident in New York, U.S.A.. The Company does not have an executive committee of its Board of Directors. The information set out in the following table is provided as at March 3, 2017.

<u>Name</u>	<u>Present Principal Occupation</u>	<u>Director Since</u> <sup>(1)</sup>	<u>Holdings of Common Shares</u> <sup>(2)</sup>
J. Christopher Barron <sup>(3)</sup>	Corporate Director	May 2003	960
James F. Billett <sup>(3)</sup>	President J.F. Billett Holdings Limited	May 2007	nil
Michael J. Cooper	President and Chief Responsible Officer Dream Unlimited Corp.	May 2014	300
William J. Corcoran	Corporate Director	July 1997	200
Duncan N.R. Jackman	Chairman of the Board, President and CEO E-L Financial Corporation Limited United Corporations Limited Economic Investment Trust Limited	April 1997	3,326
The Hon. Henry N.R. Jackman <sup>(4)</sup>	Honorary Chairman The Empire Life Insurance Company	January 1997	5,687
R.B. Matthews <sup>(3)</sup>	Chairman of the Board Longview Asset Management Ltd.	May 2010	100
Clive P. Rowe	Partner Oskie Capital	May 2014	nil
Mark M. Taylor	Corporate Director	May 2003	200

- (1) Each proposed nominee who is stated to have been a director since a specified year has served continuously from the year indicated. The Hon. H.N.R. Jackman previously served as a director from 1968 to 1991. Mr. J.C. Barron previously served as a director from 1993 to 2002. Mr. C.P. Rowe previously served as a director from 2000 to 2003.
- (2) None of the nominees holds Series A Preference Shares.
- (3) The Company is required to have an Audit Committee. Members of the Audit Committee are Messrs. J.C. Barron, J.F. Billett (Chair) and R.B Matthews.
- (4) Companies in which The Hon. Henry N.R. Jackman has an indirect interest, control, in the aggregate, 2,902,109 or 72.2% of the outstanding Common Shares of the Company. Although The Hon. Henry N.R. Jackman is associated with some of these companies, (including Dominion and Anglo Investment Corporation Limited) he does not control any of them and, accordingly, does not have beneficial ownership of the Common Shares of the Company held by them.

## APPOINTMENT OF AUDITORS

Unless the authority to do so is withheld, proxies in favour of management nominees will be voted in favour of the reappointment of PricewaterhouseCoopers LLP as auditors of the Company and the authorization of the Board of Directors to fix their remuneration. A majority of votes cast is required to reappoint the auditors. The management of the Company has been informed that no member of the firm has any direct or indirect financial or other interest in the Company.

## CORPORATE GOVERNANCE DISCLOSURE

### BOARD OF DIRECTORS

The Company applies the independence rules under National Instrument 52-110. The independent directors are Messrs. J. Christopher Barron, James F. Billett, Michael J. Cooper, William J. Corcoran and R.B. Matthews.

The directors who are not independent are Mr. Duncan N. R. Jackman, The Hon. Henry N.R. Jackman, Messrs. Mark M. Taylor and Clive Rowe. Mr. Taylor was an executive officer of the Company until March 2015 and Mr. Duncan N.R. Jackman is an executive officer of the Company. The Hon. H.N.R. Jackman is the father of Mr. Duncan N.R. Jackman. Mr. Rowe is a partner of an investment management firm which receives compensation from the Company.

The majority of directors are independent. Each of the independent directors makes a significant contribution to the Company, and has discharged his responsibilities with a view to the best interests of the Company. The independent members of the Board have the opportunity to meet without management present. Independent Board members are strongly encouraged to contribute freely to any Board or Audit Committee discussion, and to reach out to the Chairman of the Board or Audit Committee at any time to raise issues for discussion with the full Board or with independent members of the Board. Accordingly, the Board has not found it necessary to formalize structures or procedures to address the independence of the Board from management.

Should all of the proposed directors be elected at the Annual Meeting, a majority of directors will be independent.

In addition to their principal occupation, the proposed directors of the Company are also directors of other reporting issuers as shown in the table below.

DIRECTOR	REPORTING ISSUER
James F. Billett	Canadian General Investments, Limited
Michael J. Cooper	Dream Global Real Estate Investment Trust Dream Industrial Real Estate Investment Trust Dream Office Real Estate Investment Trust Dream Unlimited Corp.
William J. Corcoran	Labrador Iron Ore Royalty Corporation
Duncan N.R. Jackman	Algoma Central Corporation Dream Global Real Estate Investment Trust Dream Office Real Estate Investment Trust The Empire Life Insurance Company First National Financial Corporation Labrador Iron Ore Royalty Corporation
R.B. Matthews	Economic Investment Trust Limited
Clive P. Rowe	Algoma Central Corporation The Empire Life Insurance Company
Mark M. Taylor	Economic Investment Trust Limited The Empire Life Insurance Company United Corporations Limited

The independent directors do not hold regularly scheduled meetings at which the non-independent directors and members of management are not in attendance. The small size of the Board helps to create an atmosphere conducive to candid and open discussion among all directors. The Chairman of the Board is not an independent director and the Board does not have a lead independent director. The Chairman provides leadership to all directors. Individual directors may engage an external advisor at the expense of the Company in appropriate circumstances.

The attendance for each director is shown in the following table.

Director	Board Meetings Attended	Audit Committee Meetings Attended
J. Christopher Barron	5/5	4/4
James F. Billett	4/5	4/4
Michael J. Cooper	5/5	2/4
William J. Corcoran	5/5	--
Duncan N.R. Jackman	5/5	--
The Hon. Henry N.R. Jackman	5/5	--
R.B. Matthews	5/5	2/4
Clive P. Rowe	5/5	--
Mark M. Taylor	5/5	--

Note: the number of Audit Committee meetings for each of Mr. Cooper and Mr. Matthews reflects that neither was a member of the Audit Committee for the full calendar year. Mr. Cooper and Mr. Matthews attended both Audit Committee meetings held while they were a member of the Committee.

## **BOARD MANDATE**

The purpose of this mandate ("Mandate") is to provide guidance to Board members as to their responsibilities. The power and authority of the Board is subject to the provisions of applicable law.

### **Purpose of the Board**

The Board is responsible for the stewardship of the Company. This requires the Board to oversee the conduct of the business and affairs of the Company. The Board discharges some of its responsibilities directly and discharges others through the Audit Committee. Any responsibility which has not been delegated to management or to a Board committee remains with the full Board.

### **Membership**

The Board consists of directors elected by the shareholders as provided for in the Company's constituting documents and in accordance with applicable law. From time to time, the Board shall review its size and membership to ensure that it facilitates effective decision-making by the Board in the fulfillment of its responsibilities.

### **Ethics**

Board members shall act in accordance with applicable law and the Company's Articles and By-laws. Board members shall carry out their responsibilities objectively, honestly and in good faith with a view to the best interests of the Company. If an actual or potential conflict of interest arises, a director or officer shall promptly inform the

Secretary of the Company or the Board in accordance with the By-laws and shall refrain from voting or participating in discussion of the matter in respect of which he or she has an actual or potential conflict of interest.

## **Meetings**

The Board shall meet in accordance with a schedule established each year by the Board, and at such other times as the Board may determine. Quorum for the transaction of business at any Board meeting is 2/5 of the number of directors. Meeting agendas shall be developed in consultation with the Chair. Board members may propose agenda items through communication with the Chair. At the discretion of the Chief Executive Officer or Board, members of management and others may attend Board meetings.

## **Responsibilities of the Board**

The Board is responsible for:

1. Overseeing the Company's business and operations.
2. Overseeing the identification and management of the principal risks of the Company's businesses.
3. Monitoring the integrity of the Company's accounting and financial reporting systems, disclosure controls and procedures, internal controls and management information systems.
4. Approving acquisitions and divestitures of business operations and similar strategic investments.
5. Overseeing management succession planning, including appointing, monitoring the performance of, and determining the compensation of senior executives and the Chief Executive Officer of the Company.
6. Ongoing refinement and disclosure of the Company's principles and approach to corporate governance, including establishing position descriptions for the Chairman, President and Chief Executive Officer, assessing the effectiveness of the Board, Audit Committee and individual directors, and the nomination for election and orientation of new directors.
7. Being satisfied with the integrity of the Chief Executive Officer and other executive officers and that these officers are creating a culture of integrity throughout the Company.

## **The Board's Relationship with Management**

The Board has delegated responsibility for the day-to-day management and operation of the Company's business to management. The Board is responsible for supervising management in carrying out this responsibility.

The Board recognizes the importance of operating effectively and independently and, therefore, the Board requires timely and accurate reporting from management and has complete access to management for the purpose of carrying out its duties.

## **Board Committees**

Subject to limits on delegation contained in the By-laws and in corporate laws applicable to the Company, the Board has the authority to establish and carry out its duties through committees and to appoint directors to be members of these committees. The Board assesses the matters to be delegated to committees of the Board and the constitution of such committees annually or more frequently, as circumstances require. The Audit Committee is the only standing committee established by the Board. The constitution and responsibilities of the Audit Committee are set out in its mandate. From time to time the Board may create ad hoc committees to examine specific issues on behalf of the Board.

## **POSITION DESCRIPTIONS**

The Board has developed a written position description for the Chairman, President and Chief Executive Officer. The Board has not developed a written position description for the Chair of the Audit Committee. The Audit Committee consists of three directors and its responsibilities are set out in its mandate, which is disclosed in the Annual Information Form of the Company, which is available at [www.sedar.com](http://www.sedar.com) ("SEDAR"). Members of the Audit Committee work as a team to discharge the responsibilities of the Committee.

## **ORIENTATION AND CONTINUING EDUCATION**

Management provides new directors with a comprehensive package of information dealing with matters such as corporate governance, Company By-laws, board administration, directors and officers insurance, the Company's disclosure record, as well as material corporate policies and codes. Management and existing Board members contribute to the orientation of new directors as to the business of the Company and the operating subsidiaries, as appropriate.

The Board does not provide a pre-set programme of continuing education for its directors. Directors maintain the skill and knowledge necessary to meet their obligations as directors by learning from one another and from a variety of outside advisors as new issues or opportunities arise.

## **ETHICAL BUSINESS CONDUCT**

The Board has adopted a written code of conduct for directors, officers and employees (the "Code of Conduct") which has been posted on SEDAR. Each year all directors, officers and employees confirm compliance with the Code of Conduct. In addition to the Code of Conduct, to further encourage and promote a culture of ethical business conduct, the mandate of the Board requires that the Board be satisfied with the integrity of the Chief Executive Officer and other executive officers and that these officers are creating a culture of integrity throughout the Company. In addition, the terms of reference for directors establish standards for a director's character, and expectations regarding his or her conduct. These standards and expectations also are applied to proposed nominees as part of the nomination process.

The mandate of Board requires the director or officer to inform the Secretary or the Board of any actual or potential conflict of interest and to refrain from voting or participating in discussion of the matter. The fact that the director has abstained from voting is noted in the minutes.

## **NOMINATION OF DIRECTORS**

The Board works as a team to identify qualified individuals and propose nominees for the Board for the next annual meeting of shareholders. The Board performs this function in consultation with external advisors, as necessary, and with reference to a number of factors, including the character and size of the Board and the nature of the Company's business. Following from this analysis is an understanding by the Board of the competencies, skills and level of commitment needed in any proposed nominee.

The Board does not have a nominating committee composed entirely of independent directors. The Board believes that its nomination process, described above, is effective.

## **MAJORITY VOTING POLICY**

The Board has adopted a majority voting policy to apply to uncontested elections of directors. If the number of shares withheld exceeds the number of shares voted in favour of a nominee then the nominee shall be considered not to have received the support of the shareholders. The nominee will submit his or her resignation and the Board's decision to accept or reject the resignation will be publicly disclosed. Should the resignation be accepted, the Board may choose to leave the vacancy on the Board until the next annual general meeting, or fill the vacancy through the appointment of a new director who the Board considers appropriate.

## **COMPENSATION**

The Boards of E-L and its subsidiaries, The Empire Life Insurance Company ("Empire" or "Empire Life") and United Corporations Limited ("United"), determine the compensation for their respective directors and executive officers. The approach to determining the compensation for directors and executive officers is disclosed in the Statement of Executive Compensation.

E-L Financial's Board does not have a compensation committee composed entirely of independent directors. The Board determines the compensation of two of the Named Executive Officers from the Company. Consistent with

the approach required for all conflicts of interest, these executive officers do not participate in the Board's deliberations concerning their compensation and to ensure objectivity the majority of the deciding Board members are independent. Compensation policies for executive officers of Empire Life (including those Named Executive Officers that are executive officers of Empire Life) are the responsibility of the Board of Empire Life. In the case of Empire Life, its Human Resources Committee recommends to its Board compensation for its executives. Further information relating to the responsibilities of the Human Resources Committee is found in the Statement of Executive Compensation.

## **OTHER BOARD COMMITTEES**

The only standing committee of the Company's Board is the Audit Committee.

## **ASSESSMENTS**

The Board, Audit Committee and individual directors are assessed annually with respect to their effectiveness and contribution; however, the opportunity for more frequent and informal discussion of such matters is ongoing. The Chairman facilitates the assessment process. The Board and the Audit Committee are assessed with reference to the responsibilities set out in their respective mandates. A similar process is in place to assess the effectiveness of individual directors, except that individual directors are assessed in relation to the terms of reference for directors.

## **BOARD EFFECTIVENESS AND RENEWAL**

E-L Financial has not adopted term limits for Board members however the membership of the Board has changed over time given the changing nature of the business of the Company. The skills and needs of the Board are evaluated as part of the assessment process.

E-L Financial has not adopted a written policy relating to the identification and nomination of women directors. The Board's view is that directors are identified and nominated from time to time, regardless of gender, in consideration of the skills and needs of the Board.

E-L Financial's human resources goal (which applies to its operating subsidiary, Empire Life; United has only one employee who is the sole executive officer, the President) at the executive level and throughout management, is to recruit and retain the most qualified person for any position. E-L Financial has not adopted a target regarding women on the issuer's board or in executive positions. The Company believes its processes are effective at identifying and selecting the best candidate for the position being sought to fill, whether an executive level or board position. E-L Financial has no directors or executive officers who are women. At Empire Life 22% of its executives are women (8 of 36).

## **STATEMENT OF EXECUTIVE COMPENSATION**

### **COMPENSATION DISCUSSION AND ANALYSIS**

The Boards of E-L, Empire Life and United determine the compensation for their respective directors and executive officers. E-L Financial's Board determines the compensation for Mr. Duncan N.R. Jackman and Mr. Scott F. Ewert, two of the Named Executive Officers, as set out in the foregoing Compensation section on page 8 of this Information Circular. The four remaining Named Executive Officers are executives of Empire Life. Mr. Mark Sylvia is the President and Chief Executive Officer; Mr. Sean Kilburn is Senior Vice President, Retail; Mr. Edward Gibson is Senior Vice President and Chief Actuary; and Ms. Gaelen Morphet was until August 2016 Senior Vice President and Chief Investment Officer.

#### **Chief Executive Officer, E-L Financial**

Mr. Jackman receives compensation in the form of salary and pension as enumerated in the Summary Compensation Table.

## Other Named Executive Officers

The objective of the Boards of E-L and Empire Life with regard to executive compensation is to provide a compensation package that will attract, retain and motivate qualified and experienced executives. The Boards take into account the compensation practices of other companies in the financial services sector so that executive compensation is competitive, both in terms of the individual components and in aggregate. Compensation surveys and management recommendations may be used by the Boards as part of this process. The companies do not benchmark to any particular company or companies, but they may use as a resource informal compensation surveys with other insurance companies and more formal compensation surveys of insurance and other financial services companies performed by human resource consulting companies.

The Board of Empire Life has adopted a mandate for its Human Resources Committee. This committee assists the board in overseeing human resources practices, including executive compensation and Board compensation.

In 2016 the members of Empire's Human Resources Committee were: Messrs. Mark J. Fuller, Edward M. Iacobucci, and Duncan N.R. Jackman. Mr. Jackman is not considered to be independent under National Instrument 52-110 ("52-110") as a result of his position as President and Chief Executive Officer of E-L, the indirect majority shareholder of Empire Life. All members of the Human Resources Committee have direct experience in their current or previous employment relevant to their responsibilities in executive compensation for Empire Life. All members of the Human Resources Committee have direct experience dealing with senior executive compensation other than with the Company and Empire Life. These responsibilities are similar to those discharged at Empire Life, including reviewing performance and compensation for the chief executive officer and senior executives, reviewing and recommending to its Board any changes to pension, benefits, and monitoring succession planning. Members are appointed for a one year term, and the Committee has the following operating features: the Committee shall consist of at least three members, none of whom are employed by the subsidiary; the Board shall appoint a chair; a majority shall constitute quorum; meetings will be held at least once yearly; and once yearly the Committee shall discuss its performance and effectiveness at fulfilling its mandate.

The compensation policies for the other Named Executive Officers at E-L Financial and Empire Life are straightforward. For E-L Financial executive compensation is composed of base salary, annual bonus and pension. For Empire Life, executive compensation also includes a mid-term bonus and long term bonus. Executive officers who have a broad scope of responsibility and ability to influence corporate performance have a higher variable compensation component. The bonus may also reflect the achievement of short term objectives and other accomplishments within the context of longer-term business strategies. For some Named Executive Officers, bonuses are determined within a range, and where such a range applies the target bonus is approximately two-thirds of the maximum.

The base salary of an executive is reviewed annually and is based on market salary information and on the executive's responsibility, experience and performance. At E-L Financial this review is performed by its Board. For Empire Life, the Human Resources Committee performs the salary review for its Chief Executive Officer and for its other executives, the Human Resources Committee reviews their salaries based on the recommendations of the Chief Executive Officer. Upon the recommendations of its Human Resources Committee, the Board of Empire Life determines the compensation for its executives.

For E-L Financial, annual bonuses are established at the discretion of its Board. Bonus awards are determined subjectively, however, in determining annual bonuses, each Board takes into consideration the company's performance relative to expected business results and the Board's assessment of the executive's contribution to the company and corporate results. The Board does not rely heavily on performance measures for determining bonuses, and bonuses are not generated by a formula based on performance measures. However, certain performance measures are considered as a guidepost in assessing an executive's performance and contribution. There is no specific performance measure used by E-L.

For Empire Life executive officers executive compensation is comprised of base salary, short-term bonus, mid-term bonus, long-term bonus and pension benefits. A transition plan is in place to eliminate the mid-term bonus plan by 2018 and move its compensation weighting into the short-term incentive plan. The long-term bonus plan was introduced in 2016.

The average mix of total direct compensation by level, based on target pay is summarized below:

Role	Base Salary	Short-Term Incentive Plan	Mid-Term Incentive Plan	Long-Term Incentive Plan
President	46%	29%	6%	19%
Senior Vice-President	58%	25%	5%	12%

None of the Named Executive Officers receives director's fees. A description of the Company's approach to salary and bonus follows. The pensions of the Named Executive Officers are described under "Retirement Plans", below.

### Salaries

Executives' base salaries are reviewed annually and are based on market salary information and the executive's responsibility, experience and performance. The Human Resources Committee performs the salary review for the Chief Executive Officer and reviews other executives' salaries based on the Chief Executive Officer's recommendations. The Board determines the compensation for the executives based on the Human Resources Committee's recommendations.

### Short-Term Incentive Plan

The Short-Term Incentive Plan annually rewards individuals based on achievements of annual performance objectives. For Empire Life executive officers, including the Named Executive Officers but excluding the Chief Investment Officer, the short-term incentive plan is made up of two components: a discretionary bonus based on individual performance and a bonus based on management's contribution to business objectives including growth, profitability and management of expenses. The discretionary bonus awards have a 25% weighting and are determined based on evaluation of individual contributions during the year. Performance is assessed against individual performance objectives for the year. The business objectives bonus has a 75% weighting and includes corporate results and for executives leading revenue generating operations also includes divisional results. For these executives, the split is 67% corporate results and 33% divisional results. The maximum overall Short-Term Incentive payout for exceptional results and individual performance is 161% of target for the President and Chief Executive Officer and 157% of target for executives.

### Mid-Term Incentive Plan

The Mid-Term Incentive Plan annually rewards executives based on company performance results evaluated over a three year period. The performance measure is average Embedded Value Earnings from Operations as a percentage of Shareholder Equity (net of AOCI) over the three year period. The maximum overall Mid-Term Incentive payout for exceptional results is 150% of target for the President and Chief Executive Officer and 160% of target for executives.

### Long-Term Incentive Plan

The Long-Term Incentive Plan delivers a portion of competitive pay that is deferred to support employee retention and to align with shareholder interests. Long-term incentive awards are granted in cash and are paid before December 31 of the third year following the performance period for which it is declared. The plan design has a wide range of potential payout (0-200% of individual funding allocation but no greater than the maximum individual funding amount) for executives. Awards are granted based on competitive practice, position level and individual performance and potential. The performance measure is Operating Net Income as a percentage of Shareholder Equity for the calendar year. Maximum funding levels are at 500% of target funding levels.

### Compensation Plan for Chief Investment Officer

The Chief Investment Officer, Ms. Gaelen Morphet, who left Empire Life August 12, 2016, had a unique bonus plan that consists of a short term incentive plan and a long term incentive plan, with targets and maximums expressed as a percentage of salary. The short term incentive plan was made up of two components, a discretionary bonus based on individual performance (target 12.5%, maximum 25%), and a performance component based on the performance of (a) various segregated funds relative to the segregated fund universe over a one- to three- year time horizon; and (b) the Company assets relative to external benchmarks over a one- to four- year time horizon (overall performance target 70%, maximum 100%). The long-term incentive plan considered investment

performance over a three- to four- year time horizon, net income and leadership (overall long term incentive plan target 60%, maximum 120%).

### **Risk Management and Regulatory Compliance**

Empire Life understands the importance of effective risk management and regulatory compliance, both generally and in the context of compensation policies. Risk management and regulatory compliance activities are integrated into management's decision-making processes and these activities are regularly reported to the Board or to committees of the Board. The Board does not have compensation practices that, for example, reward or incent excessive risk taking, or in which short-term results are much more heavily weighted than longer term results.

Empire Life has risk management processes that are designed so that its operations are consistent with its business objectives and risk philosophy while maintaining an appropriate risk / reward balance, and has established a Board-approved enterprise risk management program. Senior management shares responsibility for the Company's risk management and is represented on various inter-functional risk management committees. The purpose of the risk management process is to identify and manage the financial risks and reputational risks to which the Company may be exposed, so that corporate performance is positively affected in the short and long terms.

As described above, the compensation programs have discretionary bonuses that are largely dependent on corporate performance and individual contributions to corporate performance. The compensation program does not reward risk-taking but is designed to achieve the appropriate balance of achievement of both shorter term and longer term goals, in accordance with the business plans approved by the Board. The Human Resources Committee has a high degree of involvement with the compensation programs and annual incentive awards for executives, and these awards are reviewed annually with the Board in the context of its oversight of senior management.

For 2016, the bonuses for the Named Executive Officers reflect the corporate results of the respective employer company.

### **Directors**

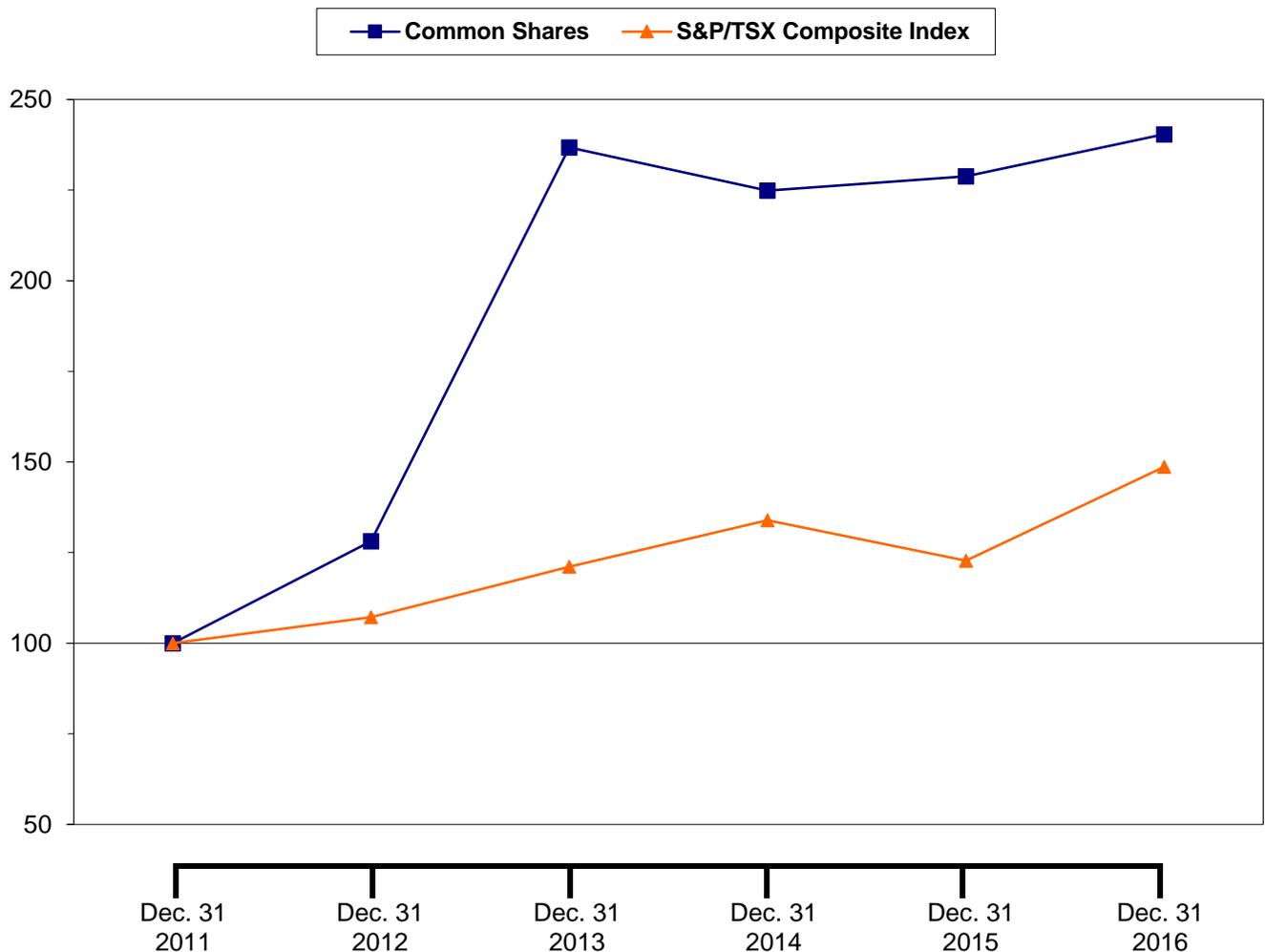
With respect to Board compensation for E-L and Empire Life, members of the Boards are compensated by way of annual retainer, an additional retainer for sitting as a chair of a committee of a Board, and meeting attendance fees. The respective Board periodically reviews the compensation of directors, recognizing the need for competitive compensation, as well as the risk, workload and time involved in being a director. Typically these fees will increase annually by a similar percentage as general staff salary increases for the companies. Further information regarding the compensation for E-L's directors is found under "E-L Directors Compensation".

## PERFORMANCE GRAPH

The following graph compares the Company's cumulative total shareholder return (assuming an investment of \$100 on December 31, 2011) on its Common Shares during the five year period ended December 31, 2016 (or applicable portion thereof) on a yearly percentage change basis with the cumulative return of the S&P/TSX Composite Index. The share performance as set out in the graph below does not necessarily indicate future performance.

There is no specific relationship between the compensation paid to executive officers and the cumulative total shareholder return over this time period. For the five year period the cumulative total shareholder return has exceeded the returns of the S&P/TSX Composite Index. Total paid compensation for Named Executive Officers has not followed this trend, with gradual increases in total paid compensation throughout this period, subject to the impacts of the corporate results of the respective employer company in any particular year.

**Comparison of Five Year Cumulative Total Return to December 31, 2016  
Between the Company and the S&P / TSX Composite Index**



All returns are presented on a total return basis.

## SUMMARY COMPENSATION TABLE

Name and Position	Year	Salary (\$)	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation (\$)	Total compensation (\$)
			Annual	MTIP/LTIP <sup>(3)</sup>			
Duncan N.R. Jackman <sup>(1)</sup> Chairman, President and CEO E-L Financial Corporation Limited	2016	913,259	--	--	(23,184) <sup>(2)</sup>	159,350	1,049,425
	2015	816,259	--	--	998,386 <sup>(2)</sup>	150,054	1,964,699
	2014	534,967	--	--	625,914	124,891	1,285,772
Scott F. Ewert Vice-President and Chief Financial Officer E-L Financial Corporation Limited	2016	275,000	137,500	--	30,036	--	442,536
	2015	250,000	125,000	--	26,589	--	401,589
Mark Sylvia <sup>(4)</sup> President and CEO The Empire Life Insurance Company	2016	571,200	532,473	382,247	104,385	--	1,590,305
	2015	560,000	457,744	121,520	112,351	--	1,251,615
	2014	312,308	337,854	72,705	22,028	--	744,895
Sean Kilburn Senior Vice President, Retail The Empire Life Insurance Company	2016	382,308	248,385	161,273	84,977	--	876,943
	2015	329,231	173,933	53,796	53,743	--	610,703
	2014	300,000	139,830	48,780	28,545	--	517,155
Edward Gibson Senior Vice President and Chief Actuary The Empire Life Insurance Company	2016	271,856	179,153	114,238	45,555	--	610,802
	2015	259,659	130,686	42,428	27,723	--	460,496
	2014	250,962	104,425	36,816	36,248	--	428,451
Gaelen Morphet <sup>(5)</sup> Senior Vice President and Chief Investment Officer The Empire Life Insurance Company	2016	312,308	307,824	0	75,775	--	695,907
	2015	507,500	592,148	547,390	94,278	--	1,741,316
	2014	507,500	466,570	517,193	81,745	--	1,573,008

- (1) "All other compensation" is compensation from subsidiary United Corporations Limited in the form of salary and attendance fees.
- (2) \$713,259 of Mr. Jackman's salary is pensionable. The 2015 pension value has been restated to reflect this.
- (3) A long-term incentive plan was introduced for year end 2016.
- (4) Mr. Sylvia's annual award in 2014 includes a \$100,000 additional discretionary bonus.
- (5) Ms. Morphet terminated employment effective August 12, 2016.

## DEFINED BENEFIT PENSION TABLE

Name and Position	Years of credited service	Annual benefits payable (\$)		Accrued obligation at start of year (\$)	Compensatory change (\$)	Non-compensatory change (\$)	Accrued obligation at year end (\$)
		at year end	at age 65				
Duncan N.R. Jackman Chairman, President and CEO E-L Financial Corporation Limited	23.08	296,674	481,986	4,061,219	(23,184)	249,043	4,287,078
Scott F. Ewert Vice-President and Chief Financial Officer E-L Financial Corporation Limited	2.00	4,268	57,439	24,984	30,036	3,055	58,075
Mark Sylvia President and CEO The Empire Life Insurance Company	2.58	20,828	53,743	173,409	104,385	7,156	284,950
Sean Kilburn Senior Vice President, Retail The Empire Life Insurance Company	3.83	13,915	56,870	138,231	84,977	8,866	232,074
Edward Gibson Senior Vice President and Chief Actuary The Empire Life Insurance Company	28.67	143,125	196,803	1,914,259	45,555	115,014	2,074,829
Gaelen Morphet Senior Vice-President and Chief Investment Officer The Empire Life Insurance Company	6.67	66,191	66,191	876,724	75,775	(249,369)	703,130

### Notes to table:

The same assumptions and methods used for financial statement reporting purposes under the accounting principles used to prepare the Company's financial statements were used to prepare this table.

Years of credited service - years of service reflected in calculation of pension accrued as of the end of 2016.

Annual benefits payable at year end - the pension that the executive is entitled to receive, payable at age 65, based on credited service and pensionable earnings up to December 31, 2016.

Annual benefits payable at age 65 - the pension that the executive is projected to receive if he remained employed until age 65, but only based on pensionable earnings up to December 31, 2016 (no projection of pensionable earnings to retirement).

Accrued obligation at start of year - the liability that the Company has accrued in respect of the pension that the executive has accrued up to December 31, 2016, based on the assumptions used to determine the pension liabilities disclosed in the financial statements as of December 31, 2016.

Compensatory change - the increase in accrued obligation that is attributable to the executive's compensation. The key elements are the cost of the additional benefits accrued in the current year, as well as the impact of changes in the level of executive's projected earnings at retirement on the accrued obligation for benefits accrued in previous years.

Non-compensatory change - the increase in accrued obligation that is not related to the executive's compensation such as changes in the interest rate used to determine the accrued obligation.

Accrued obligation at year end - the accrued obligation that the Company has accrued in respect of the pension that the executive has accrued up to December 31, 2016, based on the assumptions used to determine the pension liabilities disclosed in the financial statements as of December 31, 2016.

## DEFINED CONTRIBUTION TABLE

Name	Accumulated value at start of year (\$)	Compensatory (\$)	Accumulated value at end of year (\$)
Scott F. Ewert	25,930.22	13,005.00	57,181.66
Mark Sylvia	54,065.45	13,005.00	88,940.60
Sean Kilburn	88,178.32	13,005.00	125,001.82

## RETIREMENT PLANS

### Empire Life

Empire Life maintains a registered pension plan (the "Plan") for its employees and for employees of E-L Financial. The Plan has a defined benefit component that covers employees hired on or before October 1, 2011 who did not elect to convert to the defined contribution component of the Plan on January 1, 2012; and a defined contribution component that covers employees hired on or after October 1, 2011 and all employees previously covered by the defined benefit component of the Plan who elected to convert to coverage under the defined contribution component of the Plan.

*For the Named Executive Officers who are members of the defined benefit component of the Plan:*

Contribution rates for executives are 4% of pensionable earnings up to the yearly maximum pensionable earnings ("YMPE") under the Canada Pension Plan, and 6% of pensionable earnings over the YMPE up to an annual maximum of 50% of the maximum contribution to a defined contribution pension plan under the Income Tax Act (Canada).

The benefit for credited service is 1 7/12% of final average pensionable earnings up to the final average YMPE plus 2% of final average pensionable earnings in excess of the final average YMPE, multiplied by the number of years of credited service. Final average pensionable earnings are based on the average annual earnings while a member of the Plan using the highest 36 consecutive months earnings in the 10 years preceding the date of retirement or termination of employment. The final average YMPE is calculated as the average annual YMPE for the 36 months preceding the date of retirement or termination of employment. Benefits payable from the Pension Plan are limited to the maximums permitted under the Income Tax Act (Canada).

The Plan has provisions for early retirement on or after attaining age 55. The benefit earned is reduced by a factor based on the number of years and months by which the early retirement date precedes the normal retirement date.

*For the Named Executive Officers who are members of the defined contribution component of the Plan:*

Required executive contributions are 4.5% of earnings. All members may choose to make voluntary contributions of up to 1.5% in increments of 0.5% (0.5%, 1.0% or 1.5%). Mandatory and voluntary contributions are matched by the Company. All contributions are invested according to individual employee investment instructions in the investment funds made available in the Plan. The annual contribution maximum (including employer contributions) is the maximum amount permitted by the Income Tax Act (Canada) for a defined contribution plan in the plan year. Annual retirement income is determined based on the contributions made to the Plan, investment earnings and market rates at the time the executive begins to receive benefits. Benefits are not guaranteed.

### Supplementary Pension Plan:

Benefits earned in excess of the Canada Revenue Agency maximum under the defined benefit or defined contribution component of the Plan are provided through a supplementary pension plan (the "Arrangement"). The actual amount of benefit payable from the Arrangement is determined at the employee's retirement date. The Arrangement does not require any additional employee contributions.

## E-L DIRECTORS COMPENSATION

Please refer to the table below.

### (i) Fees earned

In 2016, all non-management directors of the Company received an annual retainer of \$26,270 plus \$1,575 for each Board meeting attended. Mr. Billett received a further annual retainer of \$13,130 as Chairman of the Audit Committee. All Audit Committee members (Messrs. Barron, Billett, Cooper and Matthews) received \$1,545 for each Audit Committee meeting attended.

"Fees earned" also includes fees received from the Company for attendance at Audit Committee and/or Board meetings at Empire Life for Messrs. Barron (\$15,750), Billett (\$4,725), Corcoran (\$6,300) and Matthews (\$1,575).

### (ii) All other compensation

"All other compensation" includes: fees received from subsidiary Empire Life in the form of annual retainer and meeting fees for The Honorable H.N.R. Jackman (\$42,840), and Messrs. Rowe (\$59,160) and Taylor (\$56,610); and fees received from subsidiary United Corporations Limited for annual retainer and meeting fees for The Honorable H.N.R. Jackman (\$19,499), and Messrs. Barron (\$19,519), and Taylor (\$20,504).

Name	Fees earned (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
J. Christopher Barron	59,345	--	19,519	78,864
James F. Billett	61,450	--	--	61,450
Michael J. Cooper	40,445	--	--	40,445
William J. Corcoran	43,595	--	--	43,595
The Hon. Henry N.R. Jackman	35,720	--	61,499	97,219
R.B. Matthews	43,595	--	--	43,595
Clive P. Rowe	37,295	--	59,160	96,455
Mark M. Taylor	35,720	--	77,114	112,834

## DIRECTORS AND OFFICERS LIABILITY INSURANCE

The Company, together with Empire Life, has purchased liability insurance in the amount of \$25 million for its protection, and for the protection of its directors and officers against liability incurred by them in their capacities as directors and officers. The deductible amount on the policy is \$1,000,000 and the Company's share of the total premium for the period from January 1, 2016 to December 31, 2016 is \$55,345.

## INDEBTEDNESS OF DIRECTORS AND OFFICERS

There is no indebtedness from any director, executive officer or employee of the Company or its subsidiaries other than routine indebtedness. Loans to employees which are fully secured against the residence of the employee and do not exceed the borrower's annual salary are considered routine indebtedness.

### **ADDITIONAL INFORMATION**

Additional information relating to the Company may be found at SEDAR. Additional financial information is provided in the interim and annual financial statements and Management's Discussion and Analysis of the Company for the year ended December 31, 2016. In addition to SEDAR, copies of the interim and annual financial statements and Management's Discussion and Analysis are available upon written request to the Corporate Secretary at the head office of the Company.

### **CERTIFICATE**

The contents and sending of this Circular have been approved by the Directors of the Company.

DATED at Toronto, Ontario as of the 3<sup>rd</sup> day of March, 2017.



Richard B. Carty  
Vice-President, General Counsel  
and Corporate Secretary



