EQUITABLE GROUP INC.

Notice of Annual Meeting of Shareholders and Management Information Circular

May 15, 2012

EQUITABLE GROUP INC.

March 28, 2012

Dear Shareholders,

We invite you to join our Board of Directors and Senior Management team for our 2011 annual meeting of shareholders which will be held on Tuesday, May 15, 2012 at 10:00 a.m. (local time), at the TMX Broadcast Centre, The Exchange Tower, 130 King Street West, Toronto, Ontario.

The meeting will be an opportunity for you to hear about our 2011 performance and to vote on the items described in the Notice of meeting and the accompanying Management Information Circular. It is important for you to review the circular as it contains the particulars of these items. In addition, the circular outlines our executive compensation and governance practices.

Your participation at this meeting is important to us and we encourage you to exercise your right to vote. If you cannot attend this meeting in person, please use the enclosed form of proxy or voting instruction form to submit your vote prior to the meeting.

Sincerely,

Austin Beutel	Andrew Moor
Chairman of the Board	President and Chief Executive Officer

EQUITABLE GROUP INC.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders of Equitable Group Inc. (the “Company”) will be held at the TMX Broadcast Centre, The Exchange Tower, 130 King Street West, Toronto, Ontario on **Tuesday, May 15, 2012** at 10:00 a.m. (local time) for the following purposes:

1. To receive the financial statements of the Company for the year ended December 31, 2011 and the Auditors' Report on those financial statements.
2. To elect the Board of Directors.
3. To appoint KPMG LLP as auditors and to authorize the directors to fix their remuneration.
4. To consider and, if deemed advisable, to pass, with or without variation, an ordinary resolution to amend the Company's Share Option Plan to change the plan from a rolling ten percent plan to a fixed maximum number plan, as more fully described in the accompanying Management Information Circular (the “Circular”).
5. To consider and, if deemed advisable, to pass, with or without variation, an ordinary resolution to amend the amendment provision of the Share Option Plan, as more fully described in the accompanying Circular.
6. To transact such other business as may be properly brought before the meeting or any adjournment thereof.

Shareholders as at April 2, 2012 will be entitled to vote at the meeting. If you are unable to attend the meeting in person, please complete and return the enclosed form of proxy in the envelope provided or by fax to 416-263-9524 or 1-866-249-7775. To be valid, proxies must be received by the Company's transfer agent, Computershare Investor Services Inc., Proxy Department, at 100 University Avenue, 9th Floor, North Tower, Toronto, Ontario, M5J 2Y1, no later than 10:00 a.m. (local time) on Friday, May 11, 2012.

By order of the Board of Directors,

Kimberley Graham
Vice-President, General Counsel
and Corporate Secretary

March 28, 2012

EQUITABLE GROUP INC.

MANAGEMENT INFORMATION CIRCULAR

All information is as of March 28, 2012, unless otherwise indicated.

WHAT'S INSIDE

This Management Information Circular ("Circular") is provided in connection with the solicitation of proxies by the management of Equitable Group Inc. (the "Company") for use at the Annual Meeting of Shareholders (the "Meeting") of the Company which will be held at the time and place and for the purposes set forth in the accompanying Notice of Meeting, and any adjournment thereof. It is expected that the solicitation will be primarily by mail; however, proxies may also be solicited personally by officers and directors and other representatives of the Company. The cost of solicitation will be borne by the Company.

VOTING INFORMATION

WHAT WILL I BE VOTING ON

Common Shareholders of the Company will be voting on the following items:

- election of directors;
- appointment of KPMG LLP as auditors;
- a resolution to amend the Company's Share Option Plan to change the plan from a rolling 10% plan to a fixed maximum number plan; and
- a resolution to amend the amending provision of the Share Option Plan.

Each of these items will be decided by a simple majority of votes cast by proxy or in person.

WHO CAN VOTE

Common Shareholders of the Company as of April 2, 2012 are entitled to vote. Each outstanding common share is entitled to one vote. As of March 28, 2012, we had 15,041,978 issued and outstanding common shares.

HOW TO VOTE

You can vote your shares by proxy or in person at the Meeting. Please follow the instructions below:

Voting by proxy

If you are eligible to vote but **will not be** attending the Meeting in person**,** you can authorize another person, called a proxyholder, to attend the Meeting and vote on your behalf. If you sign the enclosed form of proxy you are giving authority to Austin Beutel or Andrew Moor, each a director of the Company, to vote your common shares at the Meeting. If you wish to choose **anyone else as your proxyholder**, just print the person's name in the blank space on the form of proxy and indicate how you would like your shares voted. **If you have voted by proxy, you may not vote in person at the Meeting, unless you revoke your proxy.**

If you appoint a proxyholder but do not tell them how you want to vote your shares, your shares will be voted as follows:

- **FOR the election as directors of the proposed nominees who are listed in the form of proxy and Circular;**
- **FOR the appointment of KPMG LLP as the auditors of the Company;**
- **FOR the resolution to amend the Option Plan to change the plan from a rolling 10% plan to a fixed maximum number plan; and**
- **FOR the resolution to amend the amending provision of the Option Plan.**

If there are any amendments or variations to matters identified in the Notice of Meeting or other matters which may properly come before the Meeting, the proxyholder you appointed can vote in any way he or she wants**.**

As at the date of this Circular, management knows of no such amendment, variation or other matter expected to come before the Meeting.

PROXY VOTING PROCESS

Registered Shareholders

You are a registered shareholder if your name appears on your share certificate. If you are a registered shareholder and wish to appoint a proxyholder just print the person's name in the blank space on the form of proxy, indicate how you would like your shares voted and return the proxy by mail to **Computershare Investor Services Inc., 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1 or by fax to 416-263-9524 or 1-866-249-7775 prior to 10:00 a.m. (local time) on Friday, May 11, 2012 or to the Chairman of the Meeting on the day of the Meeting, at any time prior to the commencement of the annual Meeting or any adjournment thereof.**

You also have the option to vote by telephone or by internet as set out in the form of proxy. Please ensure you have your control number (also located on the front of the form) to identify yourself to the system. If you plan to appoint a proxyholder, complete the form of proxy executed by the intermediary and restricted to the number of shares beneficially owned by you but otherwise not completed.

Non-Registered Shareholders

You are a non-registered shareholder if you beneficially own common shares that are registered in the name of an intermediary which is usually a trust company, securities broker, financial institution or other nominee who holds the shares on your behalf. Intermediaries have obligations to forward Meeting materials to the non-registered shareholders unless otherwise instructed by the holder.

You will receive from your intermediary a voting instruction form or a form of proxy which includes the procedures to be followed for voting; these instructions must be followed carefully. Sign and return the completed form in the envelope provided. You may also vote your shares by calling the toll-free number or accessing the internet site indicated on the form and following the instructions. Please ensure you have your control number (located on the front of the voting instruction form) to identify yourself to the system.

VOTING IN PERSON

Registered Shareholders

If you wish to vote your common shares in person at the Meeting you do not need to complete or return the form of proxy. Simply attend the meeting and present yourself to a representative of the transfer agent, Computershare Investor Services Inc. at the registration table. Your vote will be taken and counted at the Meeting.

Non Registered Shareholders

If you wish to vote in person at the Meeting, you must insert your name in the blank space provided on the voting instruction form or form of proxy provided by the intermediary and carefully follow the return instructions. Do not otherwise complete the voting instruction form as your vote will be counted at the Meeting. When you arrive at the meeting present yourself to a representative of the transfer agent, Computershare Investor Services Inc. who will be at the registration table.

WHAT IF I CHANGE MY MIND

If you are a registered shareholder, you may revoke your proxy after you have returned it by completing and signing another form of proxy bearing a later date and delivering it to Computershare at the address or fax number specified above, no later than 10:00 a.m. (local time) on Friday, May 11, 2012. You may also deliver a written statement to this effect signed by you or your authorized attorney to Kimberley Graham, Vice-President, General Counsel and Corporate Secretary at the registered office of the Company, at any time up to 10:00 a.m. (local time) on Friday, May 11, 2012 or to the Chairman on the day of the Meeting, prior to its commencement, or any adjournment thereof.

If you are a non-registered shareholder and have sent your completed voting instruction form to your intermediary, contact your intermediary to find out whether you can change your voting instructions and if so, what procedures to follow.

VOTING SECURITIES AND PRINCIPAL HOLDERS

To the knowledge of the directors and officers of the Company, as at the date of this Circular, the only persons or companies which beneficially owned, directly or indirectly, or exercised control or direction over more than 10% of the outstanding common shares of the Company are the following:

Name	Number of common shares	Percentage of outstanding common shares
Emberwood Glen Enterprises Ltd.(1)	2,144,640	14.3%
I.A. Michael Investment Counsel Ltd.(2)	1,925,000	12.8%
Franklin Templeton Investments Corp.(3)	1,723,337	11.5%

(1) Emberwood Glen Enterprises Ltd. is 100% owned by Oakwest Corporation Limited (“Oakwest”). Austin Beutel and Eric Beutel, directors of the Company, exercise control or direction over the common shares of Oakwest. (These shares were acquired in the ordinary course of business and not with the purpose of influencing or changing the control of the Company.) Eric Beutel beneficially owned, or exercised control or direction over, an additional 9,000 common shares.

(2) I.A. Michael Investment Counsel Ltd. has indicated that these shares were acquired in the ordinary course of investing activities.

(3) Franklin Templeton Investments Corp. on behalf of its operating division, Bissett Investment Management, has disclaimed any beneficial ownership of these common shares. However, as an investment manager it maintains exclusive power to exercise investment control or direction over such shares for its managed accounts.

BUSINESS OF THE MEETING

FINANCIAL STATEMENTS

The consolidated financial statements for the year ended December 31, 2011 together with the auditor's report thereon are included in our 2011 annual report and are available on our website at www.equitabletrust.com under Investor Relations.

ELECTION OF DIRECTORS

The number of directors to be elected is 11. The 11 nominees proposed for election as directors are named in the "Director Nominees" section of this Circular. All are presently directors of both the Company and its wholly-owned subsidiary, The Equitable Trust Company ("Equitable Trust"). All nominees have established their eligibility and willingness to serve as directors, and have the relevant expertise essential to ensure appropriate strategic direction and oversight. The term of office of each director will expire on the election of directors at the next Meeting.

Unless authority is withheld, the persons named in the enclosed form of proxy or voting instruction form intend to vote **FOR** the election of the director nominees.

Majority Vote for Directors

The Company has a majority vote policy for the election of directors. If a director standing for re-election in an uncontested election receives more *withheld* votes than *for* votes, he or she must offer to resign. The Corporate Governance Committee of the Board will recommend to the Board whether or not to accept the resignation. The nominee will not participate in this decision.

APPOINTMENT OF AUDITORS

The Board recommends that KPMG LLP be re-appointed to serve as the Company's auditors for the year ending December 31, 2012. KPMG LLP has served continuously as the Company's auditors since 2004 and as Equitable Trust's auditors since 2002.

Unless authority is withheld, the persons named in the accompanying form of proxy or voting instruction form intend to vote **FOR** the re-appointment of KPMG LLP as auditors of the Company to hold office until the close of the next Annual Meeting of Shareholders at such remuneration as may be fixed by the directors of the Company.

Pre-Approval Policies and Auditors' Fees

The Audit Committee has adopted a formal written policy for the pre-approval of services performed by the Company's auditors. On an annual basis, the Audit Committee reviews and approves the terms, scope and associated fees of the external auditor's engagement. All services and associated fees must be pre-approved by the Audit Committee and must be permitted by securities regulations governing auditor independence.

Auditor Service Fees

Fees paid to KPMG LLP for the years ended December 31, 2011 and December 31, 2010 were as follows:

Category	2011	2010
Audit Fees	$350,000	$352,000
Audit–related Fees	$127,500(1)	$ 22,500
Tax Fees	$ 34,500	$ 12,500
Other Fees	-	$ 90,000(1)
Total	$422,000	$477,000

(1) Audit-related Fees in the amount of $127,500 include $90,000 disclosed in 2010 as "Other Fees - and paid in connection with services related to IFRS financial reporting conversion" of which $35,000 was billed in 2010 and $65,000 was billed in 2011. The same $90,000 total has therefore been reported in both the 2010 and 2011 totals.

Audit Fees

Audit fees were paid for professional services rendered by the auditors for the audit of the Company's annual consolidated financial statements, and the review of the Company's interim financial statements.

Audit-related Fees

Audit-related fees were paid for services provided in connection with (i) CHMC specified procedures report, (ii) hedge documentation and effectiveness testing, and (iii) opening IFRS balance sheet.

Tax Fees

Tax fees were paid for professional services relating to tax compliance and tax advice, which includes GST/HST services and the review of tax returns.

AMENDMENTS TO SHARE OPTION PLAN

Fixed Maximum Number Plan

At the Meeting, the shareholders of the Company will be asked to consider and, if deemed advisable, approve by ordinary resolution, amendments to the Company's Share Option Plan that were approved by the Board of Directors on March 28, 2012 on the recommendation of the Human Resources and Compensation Committee (the "HRC Committee").

The Share Option Plan is currently a rolling plan whereby any exercise, cancellation or expiration of options will allow for additional new grants under the Share Option Plan provided that the number of common shares reserved for issuance will not exceed 10% of the Company's issued and outstanding common shares. Further details of the Share Option Plan are set out starting on page 39 of this Circular.

Management and the Board of Directors (the "Board") have determined that it is in the best interest of the Company to amend the Company's Share Option Plan to change the Share Option Plan from a rolling option plan reserving a maximum of 10% of the Company's issued and outstanding common shares from time to time to a fixed maximum number option plan reserving a specified number of common shares, up to a maximum of 1,504,198 that currently equates to 10% of the Company's common shares as at the date hereof.

The full text of the resolution authorizing the amendment is set out below. This resolution must be approved by at least a majority of the votes cast at the Meeting by all shareholders present or represented by proxy in order for it to be adopted.

BE IT RESOLVED THAT:

1. The amendment to the Company's Share Option Plan to change the Share Option Plan from a rolling ten percent (10%) plan to a fixed maximum number plan is hereby approved, without variation, and that such amended Share Option Plan be approved and adopted.

2. Pursuant to the Share Option Plan, as amended, the Company shall be authorized to issue a fixed maximum number of options for up to 1,504,198 common shares.

3. Any director or officer of the Company is hereby authorized and directed, for and on behalf of the Company, to do such things and sign, execute and deliver all documents that such director or officer may, in their discretion, determine to be necessary in order to give full effect to the intent and purpose of this resolution.

If this resolution is approved by shareholders it is expected that the Board will, in due course, grant further options under the Share Option Plan as the Board deems fit in light of the overall compensation program and the relative efforts and contributions of the eligible participants of the Share Option Plan.

The Board recommends that shareholders vote **FOR** the adoption of the above resolution. Unless stated otherwise, the persons designated in the accompanying proxy form or voting instruction form intend to vote **FOR** the adoption of the resolution.

Amendment and Termination Provision

The Share Option Plan has an amendment and termination provision which details, among other things, the types of amendments to the Share Option Plan that can be made by the Board without shareholder approval, as well as the types of amendments to the Share Option Plan that will require shareholder approval.

On March 28, 2012, the Board approved amendments to this provision of the Share Option Plan which are summarized below:

1. Subject to the receipt of the requisite regulatory approval, the Board will be able to amend the Share Option Plan to provide for the addition of a cashless exercise feature, payable in cash or securities, which provides for a full deduction in the number of underlying common shares from the Share Option Plan's reserve, without shareholder approval.

2. To provide clarity surrounding the expiry date of Options that occurs during a blackout period. Under the Share Option Plan the Board is authorized, without shareholder approval, to change the terms, conditions and mechanics of grant, vesting, exercise and early expiry of an Option. However, the Board must obtain shareholder approval to extend the expiry date of an Option to an Insider. The amendment will provide that in both cases, if the expiry date of an option should otherwise be determined to occur either during a period in which the holder of the Option is restricted from trading in securities of the Company under an insider trading policy or other similar policy of the Company or within ten business days following such a period, the expiry date of the Option shall be deemed to be the date that is the tenth business day following the date of expiry of such period.

The full text of the resolution authorizing the above amendments is set out below. This resolution must be approved by at least a majority of the votes cast at the Meeting by all shareholders present or represented by proxy in order for it to be adopted.

BE IT RESOLVED THAT:

1. The amendment to the Company's Share Option Plan to enable the Board to amend the Share Option Plan in order to provide for the addition of a cashless exercise feature, payable in cash or securities, which provides for a full deduction in the number of underlying common shares from the Share Option Plan's reserve is hereby approved.
2. The amendment to the Share Option Plan to provide clarity surrounding the expiry date of Options that occurs during a blackout period is hereby approved.
3. Any director or officer of the Company is hereby authorized and directed, for and on behalf of the Company, to do such things and sign, execute and deliver all documents that such director or officer may, in their discretion, determine to be necessary in order to give full effect to the intent and purpose of this resolution.

The Board of Directors recommends that shareholders vote **FOR** the adoption of the above resolution. Unless stated otherwise, the persons designated in the accompanying proxy form or voting instruction form intend to vote **FOR** the adoption of the resolution.

DIRECTOR NOMINEES

Director Information

Our Board is responsible for the stewardship of the Company and overseeing management. As such, the Board, in accordance with the Company's Articles of Amalgamation, has set the number of directors to be elected at 11. All of the director nominees were elected by the shareholders at the previous annual meeting for a term that expires at the close of the next annual meeting following their election. The following pages present information about each of the director nominees, including their background, experience, their membership on board committees, and their attendance at board and committee meetings during the year ended December 31, 2011. Also included is the number and value of common shares and Deferred Share Units ("DSUs") beneficially owned, directly or indirectly, or controlled or directed as at the end of the two most recently completed financial years.

Austin Beutel

Toronto, Ontario, Canada

Director Since: January 1, 2004

Independent

Expertise/Experience: Finance and M & A

Austin Beutel is Chairman of Oakwest Corporation Limited, a private investment holding company. He is co-founder and former Chairman of Beutel Goodman and Co. Ltd., an investment management firm. Mr. Beutel holds a Bachelor of Commerce degree from McGill University, a Masters of Business Administration from Harvard University, and the Chartered Financial Analyst designation. Mr. Beutel has more than 50 years of business experience.

Public company directorships in the past five years

- Astral Media Inc. (1973-present)
- Accord Financial Corp. (1990-2010)
- Aecon Group Inc. (2005-present)

Board/Committee Membership	Attendance	Total Compensation[6]	
	#	Year	Amount
Board (Chair)	7 of 7	2011	$80,855
Risk and Capital Committee (Chair)	2 of 2	2010	$92,229
Corporate Governance Committee	4 of 4		

Securities held

Year	Common shares[1] (#)	DSUs[2] (#)	Total market value of common shares and DSUs[3]	Meets Share Ownership Requirement
2011	2,150,640[4]	2,755	$53,835,563	yes
2010	2,150,640[4]	2,039	$53,795,680	yes

Eric Beutel

Toronto, Ontario, Canada

Director Since: January 1, 2004

Independent

Expertise/Experience: Finance and Real Estate

Eric Beutel is Vice-President of Oakwest Corporation Limited, a private investment holding company. He holds a Bachelor of Arts degree from York University and a Masters of Business Administration from the University of Ottawa.

Public company directorships in the past five years

- Liquidation World Inc. (now Big Lots Canada Inc.)(2008-2011)
- NexGen Financial Corporation (March 13, 2012 - present)

Board/Committee Membership	Attendance	Total Compensation[6]	
	#	Year	Amount
Board	7 of 7	2011	$65,585
Equitable Trust's Investment Committee (Chair)	21 of 22	2010	$66,729
Risk and Capital Committee	2 of 2		

Securities held

Year	Common shares[1] (#)	DSUs[2] (#)	Total market value of common shares and DSUs[3]	Meets Share Ownership Requirement
2011	2,153,640[5]	2,755	$53,910,564	yes
2010	2,153,640[5]	2,039	$53,870,650	yes

Joseph Dickstein

Toronto, Ontario, Canada

Director Since: January 1, 2004

Independent

Expertise/Experience: Finance

Joe Dickstein is Vice-Chair of PPI Financial Group, the largest independent life insurance marketing organization in Canada. His career experiences include serving as President of Westmount Life Insurance Company for thirteen years and as a Director and member of the Executive Committee of Prudential Life Insurance Company (Canada) for ten years. Mr. Dickstein has a Bachelor of Commerce degree from McGill University and a Masters of Business Administration from the Wharton School of the University of Pennsylvania.

Public company directorships in the past five years

None

Board/Committee Membership	Attendance #	Total Compensation[6] Year	Amount
Board	7 of 7	2011	$59,044
Corporate Governance Committee (Chair)	5 of 5	2010	$66,729
Audit Committee	2 of 2		
Human Resources and Compensation Committee	3 of 3		

Securities held

Year	Common shares[1] (#)	DSUs[2] (#)	Total market value of common shares and DSUs[3]	Meets Share Ownership Requirement
2011	21,900	2,755	$617,064	yes
2010	21,900	2,039	$598,468	yes

Eric Kirzner

Toronto, Ontario, Canada

Director Since: January 1, 2004

Independent

Expertise/Experience: Investment Management and Risk Management

Eric Kirzner is a Professor of Finance and the John H. Watson Chair in Value Investing at the Rotman School of Management at the University of Toronto. Professor Kirzner is also lead external advisor of the Hospitals of Ontario Pension Plan, and a director of the Investment Industry Regulatory Organization of Canada. He holds a Bachelor of Arts degree and a Masters of Business Administration from the University of Toronto.

Public company directorships in the past five years

None

Board/Committee Membership	Attendance #	Total Compensation[6] Year	Amount
Board	7 of 7	2011	$72,135
Audit Committee (Chair)	6 of 6	2010	$79,129
Risk and Capital Committee	2 of 2		
Human Resources and Compensation Committee	3 of 3		

Securities held

Year	Common shares[1] (#)	DSUs[2] (#)	Total market value of common shares and DSUs[3]	Meets Share Ownership Requirement
2011	2,800	2,755	$139,564	yes
2010	2,800	2,039	$121,159	yes

David LeGresley
Toronto, Ontario, Canada
Director Since: May 19, 2011
Independent

Expertise/Experience: Capital Markets; M&A; Financial Services Management; Strategy

David LeGresley is a former executive of National Bank Financial holding positions in the area of corporate and investment banking and most recently serving as Vice Chairman from 2006 to 2008.

He currently sits on the advisory committee for CANFAR (the Canadian Foundation for AIDS Research) and is a graduate of the Institute of Corporate Directors–Directors Education Program and a member of the Institute of Corporate Directors. Mr. LeGresley received a Bachelor of Applied Science degree in Engineering from the University of Toronto and a Masters of Business Administration from Harvard Business School.

Public company directorships in the past five years

- Pembina Pipeline Corporation (2010-present)
- NB Split Corp. (2006-2012)

Board/Committee Membership	Attendance	Total Compensation[6]	
	#	Year	Amount
Board	4 of 4	2011	$39,214
Audit Committee	2 of 2		-

Securities held

Year	Common shares[1] (#)	DSUs[2] (#)	Total market value of common shares and DSUs[3]	Meets Share Ownership Requirement
2011	14,000	683	$367,246	Yes
2010	-	-	-	-

Lynn McDonald
Toronto, Ontario, Canada
Director Since: May 19, 2011
Independent

Expertise/Experience: Finance

Lynn McDonald is a former managing director at CIBC World Markets. She is a director of the Bridgepoint Health Foundation and serves as Chair of their Finance and Audit Committee. She is also an independent trustee of Greystone Health Trust, an Ontario Hospital Association trust fund, and Chair of Frontier College, a national literacy organization. Ms. McDonald earned a Bachelor of Arts (Honours) degree in economics from the University of Waterloo and is a graduate of the Institute of Corporate Directors-Rotman Directors Education Program and a member of the Institute of Corporate Directors.

Public company directorships in the past five years

None

Board/Committee Membership	Attendance	Total Compensation[6]	
	#	Year	Amount
Board	4 of 4	2011	$40,714
Human Resources and Compensation Committee	3 of 3		

Securities held

Year	Common shares[1] (#)	DSUs[2] (#)	Total market value of common shares and DSUs[3]	Meets Share Ownership Requirement[7]
2011	800[7]	683	$37,246	yes
2010	-	-	-	-

Andrew Moor

Toronto, Ontario, Canada

Director Since: May 17, 2007

Non-independent

Expertise/Experience: Finance

Andrew Moor is President and Chief Executive Officer of the Company and Equitable Trust. Prior to joining the Company, he was the President and Chief Executive Officer of Invis Inc. Mr. Moor received a Bachelor of Science in Engineering from the University of London, a Masters of Business Administration from the University of British Columbia, and is a graduate of the Institute of Corporate Directors-Rotman Directors Education Program and a member of the Institute of Corporate Directors.

Public company directorships in the past five years

- Sleep Country Canada Income Fund (2003-2008)

Board/Committee Membership	Attendance #	Total Compensation[6] Year	Amount
Board	7 of 7	2011	-
Equitable Trust's Investment Committee	20 of 22	2010	-

Securities held

Year	Common shares[1] (#)	DSUs[2] (#)	Total market value of common shares and DSUs[3]	Meets Share Ownership Requirement[8]
2011	30,536	-	$763,400	yes
2010	27,095	-	$677,104	yes

Katherine Rethy

Toronto, Ontario, Canada

Director Since: May 15, 2008

Independent

Expertise/Experience: Law, Corporate Governance and Leadership

Katherine Rethy is a Corporate Director and President of KAR Development Corp., a leadership consulting company. Ms. Rethy is an accomplished senior executive with over 24 years in professional, management and executive roles in Canadian-based global industrial companies. Her most recent corporate role was Senior Vice-President, Global Services with Falconbridge Limited. In 2007, she was inducted into Canada's 100 Most Powerful Women Hall of Fame. In addition to her public company directorships, Katherine is also Chair of the Board of Katimavik Opcan, a Canadian not for profit organization.

Ms. Rethy received her Bachelor of Science from the University of Toronto, her J.D. from the University of Windsor, her Masters of Business Administration from York University, and her M.A. in Leadership for Sustainability from Lancaster University in the UK. She is a graduate of the Institute of Corporate Directors-Rotman Directors Education Program and a member of the Institute of Corporate Directors and of the Law Society of Upper Canada.

Public company directorships in the past five years

- SBM Offshore N.V. (Member of the Supervisory Board) (2011-present)
- TransForce Income Operating Trust (2003-2007)

Board/Committee Membership	Attendance #	Total Compensation[6] Year	Amount
Board	7 of 7	2011	$ 61,725
Human Resources and Compensation Committee (Chair)	3 of 3	2010	$ 63,529
Risk and Capital Committee	2 of 2		
Audit Committee	3 of 4		
Corporate Governance Committee	4 of 4		

Securities held

Year	Common shares[1] (#)	DSUs[2] (#)	Total market value of common shares and DSUs[3]	Meets Share Ownership Requirement
2011	2,200	2,755	$124,564	yes
2010	2,200	2,039	$123,474	yes

Lionel Robins

Toronto, Ontario, Canada

Director Since: January 1, 2004

Independent

Expertise/Experience: Finance

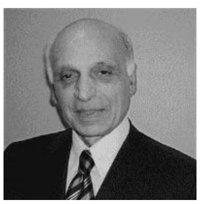
Lionel Robins is President of PFDL Investments Limited, an investment holding company.

Public company directorships in the past five years
NexGen Financial Corporation (March 13, 2012 – present)

Board/Committee Membership	Attendance	Total Compensation[6]	
	#	Year	Amount
Board	7 of 7	2011	$59,835
Human Resources and Compensation Committee	6 of 6	2010	$62,329
Equitable Trust's Investment Committee	5 of 6		
Corporate Governance Committee	1 of 1		

Securities held

Year	Common shares[1] (#)	DSUs[2] (#)	Total market value of common shares and DSUs[3]	Meets Share Ownership Requirement
2011	122,199	2,755	$3,124,539	yes
2010	122,199	2,039	$3,104,940	yes



Morris Shohet

Toronto, Ontario, Canada

Director Since: May 11, 2009

Independent

Expertise/Experience: Real Estate Investment and Development

Morris Shohet is Principal of The Dorchester Corporation, a real estate investment company.

Mr. Shohet received his Bachelor of Engineering in Civil Engineering from McGill University, and his Masters of Business Administration from Harvard University.

Public company directorships in the past five years
None

Board/Committee Membership	Attendance	Total Compensation[6]	
	#	Year	Amount
Board	7 of 7	2011	$60,435
Equitable Trust's Investment Committee	21 of 22	2010	$62,329
Corporate Governance Committee	1 of 1		

Securities held

Year	Common shares[1] (#)	DSUs[2] (#)	Total market value of common shares and DSUs[3]	Meets Share Ownership Requirement
2011	11,500	2,755	$357,064	yes
2010	6,500	2,039	$213,622	yes

Michael Shulman

Toronto, Ontario, Canada

Director Since: January 1, 2004

Independent

Expertise/Experience:
Investment Management

Michael Shulman has been President of Shulwood Inc. and The Birchwood Group Inc. since 1987, companies which invest in private equity and public securities in North America, and which also provide consulting services to family businesses. He is a Chartered Accountant and the former Chairman of a national firm of chartered accountants.

Public company directorships in the past five years

None

Board/Committee Membership	Attendance	Total Compensation[6]	
	#	Year	Amount
Board	7 of 7	2011	$59,085
Equitable Trust's Investment Committee	12 of 16	2010	$65,329
Audit Committee	4 of 4		
Corporate Governance Committee	4 of 5		

Securities held

Year	Common shares[1] (#)	DSUs[2] (#)	Total market value of Common shares and DSUs[3]	Meets Share Ownership Requirement
2011	25,000	2,755	$694,564	yes
2010	25,000	2,039	$675,937	yes

(1) The information as to shares owned or over which control or direction is exercised has been provided by the respective nominees.

(2) Includes DSUs acquired by way of dividend equivalents.

(3) The value of the common shares is based on the closing price of the Company's common shares on the Toronto Stock Exchange ("TSX") on December 31, 2011. The value of the DSUs is based on the volume-weighted average trading price of the Company's common shares on the TSX five days prior to December 31, 2011. The valuation methodology used to determine the fair value of the DSUs and the accounting fair value is the same.

(4) Includes 2,144,640 shares held by Emberwood Glen Enterprises Ltd. Emberwood is a wholly-owned subsidiary of Oakwest Corporation Limited whose shares are controlled or directed, directly or indirectly, by both Austin Beutel and Eric Beutel. Also includes 6,000 shares held by Benjamin Beutel Holdings Inc. whose shares are also controlled or directed by Austin Beutel.

(5) Includes 2,144,640 shares held by Emberwood Glen Enterprises Ltd. Emberwood is a wholly-owned subsidiary of Oakwest Corporation Limited whose shares are controlled or directed, directly or indirectly, by both Austin Beutel and Eric Beutel. Eric Beutel beneficially owns, or controls or directs, 9,000 common shares of the Company.

(6) Includes annual director and committee chair retainers, meeting fees, the market value of the DSUs, inclusive of dividend equivalents and the appreciation in value of the DSUs outstanding as of December 31 in each of 2009 and 2010, and the reimbursement of travel expenses in attending board and committee meetings. The value of the DSUs is based on the volume-weighted average trading price of the Company's common shares on the TSX five days prior to December 31, 2011. The valuation methodology used to determine the fair value of the DSUs and the accounting fair value is the same.

(7) Ms. McDonald has until May 19, 2012 to meet director share ownership requirements. As at the date of this Circular, Ms. McDonald has purchased an additional 500 common shares of the Company at a total value of $14,638.

(8) Mr. Moor's share ownership requirement, as Chief Executive Officer of the Company, is one times base salary. See "CEO Share Ownership Requirement" on page 33.

Independence of Directors

Director independence is determined by the Board based on the definition of independence in the Canadian Securities Administrators Independence Rules (the "CSA Rules"). Based on the information obtained from questionnaires completed by each of the nominees, the Board affirmatively determined that 10 of the 11 nominees standing for election to the Board on May 15, 2012 have no material relationship with the Company and are in their opinion, independent. The following table sets out the relationship of the director nominees to the Company.

Name	Independent	Not Independent	Reason for Non-Independent status
Austin Beutel	✓		
Eric Beutel	✓		
Joseph Dickstein	✓		
Eric Kirzner	✓		
David LeGresley	✓		
Lynn McDonald	✓		
Andrew Moor		✓	President and CEO of the Company
Katherine Rethy	✓		
Lionel Robins	✓		
Morris Shohet	✓		
Michael Shulman	✓		

Independent Board Chair

The Company's Board is led by a non-executive Chair. Maintaining separate Chair and CEO positions provides the Board with stronger leadership and allows the Board to function independently of management and avoid conflicts of interest. Austin Beutel has been Chairman of the Board of the Company since 2004 and of Equitable Trust since 1999.

Number of Meetings and Director Attendance

The table below shows the number of Board, Committee and Shareholder meetings held in 2011.

Board or Committee	Number of meetings held in 2011
Board	7
Audit Committee	4
Risk and Capital Committee	2
Investment Committee[(1)]	22
Human Resources and Compensation Committee	6
Corporate Governance Committee	5
Annual Meeting of Shareholders	1

(1) In addition to its regular quarterly meetings, the Investment Committee met an additional 18 times during the year to approve loans which exceeded management approval limits.

The table below is a summary of the attendance record of each of the directors in 2011. Board members are expected to attend the Meeting as well as board meetings and meetings of committees on which they serve.

	Board	Audit Committee	Risk & Capital Committee	Corporate Governance Committee	Human Resources & Compensation Committee	Investment Committee	Annual Meeting	Total Attendance	
								#	%
Austin Beutel(1)	7/7	-	2/2	4/4	-	-	1/1	14/14	100
Eric Beutel(2)	7/7	-	2/2	-	-	21/22	1/1	31/32	97
Joseph Dickstein(3)	7/7	2/2	-	5/5	3/3	-	1/1	18/18	100
Eric Kirzner(4)	7/7	6/6	2/2	-	3/3	-	1/1	19/19	100
David LeGresley(5)	4/4	2/2	-	-	-	-	1/1	7/7	100
Lynn McDonald(5)	4/4	-	-	-	3/3		1/1	8/8	100
Andrew Moor	7/7	-	-	-	-	20/22	1/1	28/30	93
Katherine Rethy(6)	7/7	3/4	2/2	4/4	3/3	-	1/1	20/21	95
Lionel Robins(7)	7/7	-	-	1/1	6/6	5/6	1/1	20/21	95
Morris Shohet(8)	7/7	-	-	1/1	-	21/22	1/1	30/31	97
Michael Shulman(9)	7/7	4/4	-	4/5	-	12/16	1/1	28/32	87

(1) Mr. Beutel ceased to be a member of the Corporate Governance Committee on May 19, 2011.
(2) Effective May 19, 2011 Mr. Beutel was appointed to the Risk and Capital Committee.
(3) Effective May 19, 2011 Mr. Dickstein was appointed to the Audit Committee and ceased to be a member of the HRC Committee.
(4) Effective May 19, 2011, Mr. Kirzner was appointed to the Risk and Capital Committee and ceased to be a member of the HRC Committee.
(5) Mr. LeGresley and Ms. McDonald were elected to the Board on May 19, 2011. They both attended one board meeting prior to their election and all meetings since their election. Ms. McDonald also attended two quarterly meetings of the Investment Committee on a non-voting basis.
(6) Ms. Rethy was appointed to and as Chair of the HRC Committee on May 19, 2011 and ceased to be a member of the Audit Committee.
(7) Effective May 19, 2011 Mr. Robins was appointed a member of the Corporate Governance Committee and ceased to be a member of Equitable Trust's Investment Committee.
(8) Mr. Shohet was appointed to the Corporate Governance Committee on May 19, 2011.
(9) Effective May 19, 2011, Mr. Shulman ceased to be a member of the Audit Committee and was appointed to Equitable Trust's Investment Committee.

Continuing Education and Expertise of the Board

Continuing Education

An effective Board must continually update their knowledge and understanding of the Company's business and regulatory environment. The Company provides opportunities for the directors to read and hear about topics specific to their oversight responsibilities.

Presentations provided to the Board in 2011 are set out in the table below:

Date	Topic
February 23, 2011	Risk Management
May 16, 2011	IFRS
November 2, 2011	Single Family Residential Underwriting and Credit Operations

As part of its annual assessment process, the directors are canvassed as to whether there are any additional topics that they would like included as part of their continuing education program. See page 49 for further information on the Directors' Continuing Education Program.

Expertise of the Board

The non-management directors identify their areas of expertise in a questionnaire that is completed in January of each year. The Corporate Governance Committee annually reviews an experience and competencies matrix which outlines the various skills and areas of expertise/experience in order to assess the overall strength of the Board and the potential long-term needs of the Board. The table below identifies the areas of expertise/experience of each nominated director.

	Austin Beutel	Eric Beutel	Joseph Dickstein	Eric Kirzner	David LeGresley	Lynn McDonald	Andrew Moor	Katherine Rethy	Lionel Robins	Morris Shohet	Michael Shulman
Governance/Board	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
CEO/Senior Officer	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Financial Literacy	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Balance Sheet Management	✓			✓	✓	✓	✓			✓	✓
Financial Services industry	✓	✓	✓	✓	✓	✓	✓			✓	
Mortgage Business		✓		✓			✓			✓	✓
Construction							✓			✓	
OSFI			✓	✓	✓	✓	✓				
Derivatives				✓	✓	✓	✓				
Real estate		✓					✓		✓	✓	✓
Human Resources / Compensation			✓	✓	✓	✓	✓	✓	✓		✓
Marketing / Branding			✓	✓			✓		✓	✓	
Legal								✓			
Risk Management				✓	✓	✓	✓	✓			
Corporate Operations	✓		✓			✓	✓	✓	✓	✓	✓
Strategic Planning	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓

Interlocking Directorships

As at the date of this Circular, Eric Beutel and Lionel Robins each serve as a member of the board of directors of NexGen Financial Corporation. The Board is of the view that this does not adversely impact the effectiveness of these directors.

Director Compensation

The Corporate Governance Committee is responsible for reviewing and recommending to the Board for their approval, the amount and structure of non-management director compensation. Director compensation is generally consistent with the Company's NEOs on both peer group and positioning. As such, in reviewing director compensation the Committee reviews the director compensation and structure for the boards of its peer group and compares it to the Company's director compensation and structure. In addition, the Committee considers the duties, responsibilities and time commitment required of each of the directors in determining the structure and amount of director compensation.

Following their review in February 2011, the Committee recommended, and the Board approved, an increase in meeting fees from $1,200 to $1,500 for meetings over 2 hours and from $600 to $750 for meetings 2 hours or less. In addition, the Board approved an additional $600 attendance fee for shareholder meetings.

Elements of Director Compensation

Non-management directors receive compensation consisting of cash and DSUs. Each non-management director, other than the Chairman of the Board, receives an annual retainer for serving as a director together with meeting attendance fees. Austin Beutel, as Chairman of the Board, receives a fixed annual retainer and no meeting fees. Annual retainers are paid upon election to the Board. Meeting attendance fees are paid over the directors' term as meetings occur. DSUs are awarded to each director upon their election or re-election to the Board. Directors are entitled to be reimbursed for travel and other expenses when they attend meetings or conduct business on behalf of the Company. Further information on DSUs can be found under the heading Deferred Share Unit Plan.

The following table sets out the components of director compensation for the year ended December 31, 2011.

Type	Amount
Board Chair retainer	$62,500 per year
• Equity (Deferred Share Units)	$20,000 per year
Director retainer:	
• Cash	$20,000 per year
• Equity (Deferred Share Units)	$20,000 per year
Audit Committee Chair retainer	$15,000 per year
Other Committee Chair retainer	$ 5,000 per year
Board and Committee meeting fees	
• More than 2 hours in duration	$ 1,500 per meeting
• 2 hours or less in duration	$ 750 per meeting

Amounts paid are in respect of a director's services to both the Company and Equitable Trust. All Board and Committee meetings of the Company and Equitable Trust are held concurrently. In 2011 the total annual retainers and meeting fees paid to all non-management directors totalled $417,075 and total DSUs paid to all non-management directors totalled $200,000 for a total compensation of $617,075 (which does not include dividend equivalents received during 2011 and the appreciation of DSUs outstanding as of December 31, 2010).

Deferred Share Unit Plan

The DSU Plan was established in 2009 with a view to strengthen the alignment of interests between the non-management directors and the Company's shareholders by linking director compensation to the future value of the Company's common shares. Under the Plan, notional shares are allocated to the non-management directors by the Board on the recommendation of the Corporate Governance Committee. The number of DSUs granted is based on the volume-weighted average trading price of the common shares of the Company on the TSX for the five trading days prior to the grant. DSUs vest at the time of grant and are only redeemable when a director ceases to be a member of the Board (the "Separation Date") and must be redeemed for cash no later than the end of the first calendar year commencing after the Separation Date. On redemption of a DSU, a director is entitled to a payment equal to the number of DSUs multiplied by the volume-weighted average trading price of the common shares of the Company on the TSX for the five trading days prior to the Separation Date. In the event of any stock dividend, stock split, reverse stock split, consolidation, subdivision, reclassification or any other change in the capital of the Company affecting its common shares, the Company will make, with respect to the number of DSUs outstanding under the DSU Plan, any proportionate adjustment as it considers appropriate to reflect that change. DSUs earn dividend equivalents, at the same rate as dividends paid on the Company's common shares. The DSUs do not entitle the holder to voting or other shareholder rights. The DSU Plan is administered by the Board.

DSUs granted in 2011

Position	Grant Date	DSUs (#)	Base Price[1] ($)	Value of DSUs[2] ($)
Chairman of the Board	May 19, 2011	677.30	29.53	20,000
Other non-management directors	May 19, 2011	6,095.70	29.53	180,000

[1] The volume-weighted average trading price of a Company common share on the TSX for the five days prior to May 19, 2011.
[2] The number of DSUs times the base price.

Changes to Director Compensation for 2012

In February 2012, the Corporate Governance Committee recommended and the Board approved an increase in the directors' annual cash retainer from $20,000 to $25,000 commencing in May 2012. In recognition of the additional responsibilities of the positions of Chair of the HRC Committee and Chair of the Investment Committee, their annual retainer will also be increased from $5,000 to $10,000. In addition, an increase of $5,000 in the value of DSUs, which are granted on an annual basis to non-management directors on their re-election to the Board was also approved. The value of DSUs to be granted to non-management directors on their re-election to the Board in 2012 will be $25,000. No other increases to retainers, fees or DSUs have been approved for 2012.

Director Compensation Table

The following table shows compensation paid and the value of DSUs awarded to the non-management directors during the year ended December 31, 2011.

Name	Fees earned ($)			Share-based awards (DSUs)[1] ($)	All other compensation[2] ($)	Total ($)
	Director and Board Chair Retainer	Committee Chair Retainer	Attendance Fees			
Austin Beutel	62,500	0	0	18,385	0	80,885
Eric Beutel	20,000	5,000	22,200	18,385	0	65,585
Joseph Dickstein	20,000	1,909	18,750	18,385	0	59,044
Eric Kirzner	20,000	15,000	18,750	18,385	0	72,135
David LeGresley	12,363	0	9,600	17,251	128	39,342
Lynn McDonald	12,363	0	11,100	17,251	0	40,714
Katherine Rethy	20,000	3,090	20,250	18,385	0	61,725
Lionel Robins	20,000	0	21,450	18,385	0	59,835
Morris Shohet	20,000	0	22,050	18,385	0	60,435
Michael Shulman	20,000	0	20,700	18,385	0	59,085
TOTAL	227,226	24,999	164,850	181,583	128	598,786

(1) Includes market value of 677.30 DSUs awarded to each non-management director on May 19, 2011, dividend equivalents received during 2011 and the appreciation and value of the DSUs outstanding as of December 31, 2010. The value shown is based on the volume-weighted average trading price of the Company's common shares on the TSX for the five days prior to December 31, 2011. The valuation methodology used to determine the fair value of the DSUs and the accounting fair value is the same.

(2) Includes travel expenses paid to non-management directors for attending board meetings in 2011.

Director Share Ownership Requirement

The Board believes that share ownership by each director further aligns the interests of directors with the shareholders they represent. Each non-management director is required to hold common shares and/or DSUs with a value equal to two times the director's annual cash retainer within one year of joining the Board. The share value is based on market price or the director's purchase price, whichever is higher. As at the date of this Circular, all current directors met this requirement.

In February 2012, the Corporate Governance Committee recommended and the Board approved an increase to director share ownership requirements from two times their annual cash retainer to three times their annual cash retainer. Directors are now required to hold common shares of the Company and/or DSUs with a market value equal to three times their annual cash retainer. Directors have three years from the date of their initial appointment to comply. The increase will take effect upon the re-election of the directors by the shareholders on May 15, 2012 and directors will have one year from their re-election to increase their share ownership from two times their annual cash retainer to three times their annual cash retainer.

Directors are prohibited from, directly or indirectly, entering into any short selling arrangements, or in the trading of puts, calls or options in respect of the Company's shares while serving as a director of the Company.

Outstanding Option-based and Share-based Awards

The following table shows all option and DSU awards outstanding as at December 31, 2011 to the non-management directors.

No options have been granted to directors since May 2008 and all further grants of options to non-management directors were discontinued in 2009.

	Option-based Awards				Share-based Awards		
Name	Number of securities underlying unexercised options (#)	Option exercise price ($)	Option expiration date	Value of unexercised options[2] ($)	Number of DSUs that have vested [3] (#)	Market or pay-out value of DSUS that have not vested ($)	Market or pay-out value of vested DSUS not paid out or distributed[4] ($)
Austin Beutel	0	0	0	0	2,755	-	69,572
Eric Beutel	0	0	0	0	2,755	-	69,572
Joseph Dickstein	0	0	0	0	2,755	-	69,572
Eric Kirzner	0	0	0	0	2,755	-	69,572
David LeGresley	0	0	0	0	683	-	17,251
Lynn McDonald	0	0	0	0	683	-	17,251
Katherine Rethy	25,000[1]	21.63	May 15, 2013	84,250	2,755	-	69,572
Lionel Robins	0	0	0	0	2,755	-	69,572
Morris Shohet	0	0	0	0	2,755	-	69,572
Michael Shulman	0	0	0	0	2,755	-	69,572

(1) Katherine Rethy was granted 25,000 options on May 15, 2008 pursuant to her election to the Board. The exercise price of the options is $21.63. The options vest at the rate of 20% on each anniversary date of the grant over a five-year period. The valuation methodology used to determine the fair value of options and the accounting fair value is the same.

(2) The value shown for the unexercised options was in-the-money at December 31, 2011. This value is based on the difference between the closing price of the Company's common shares on December 31, 2011 on the TSX ($25.00) and the exercise price of the options.

(3) Includes dividend equivalents credited to each non-management director's account from the date of grant to December 31, 2011. DSUs vest at the time of grant and are only redeemable when a director ceases to be a member of the Board.

(4) The fair value of the DSUs is based on the volume-weighted average trading price of the Company's common shares on the TSX five days prior to December 31, 2011 plus DSUs acquired by way of dividend equivalents during the year ended December 31, 2011. The valuation methodology used to determine the fair value of the DSUs and the accounting fair value is the same.

Outstanding Option-based Awards – Value Vested During the Year

The following table shows the value of Katherine Rethy's option-based award that vested during 2011. Ms. Rethy is the only non-management director with outstanding options.

Name	Options vested during the year (#)	Option-based awards – value vested during the year ($)	Options exercised during the year (#)
Katherine Rethy	5,000	38,200	0

Note: The value of the options that vested in the year ended December 31, 2011 is determined by multiplying the number of options vested during the year by the difference between the closing price of the Company's common shares on the TSX on the date of vesting and the exercise price of options. If the closing price of the Company's common shares was below the exercise price, the option had no current value and is valued at $0. Ms. Rethy has not exercised any of her options.

Additional Disclosure Concerning the Directors

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of the Company, no director nominee:

(a) is, as at the date of this Circular, or has been, within the 10 years before the date of this Circular, a director, chief executive officer ("CEO") or chief financial officer ("CFO") of any company that,

   (i) was subject to a cease trade or similar order that was issued while the proposed director was acting in the capacity as a director, CEO or CFO, or;

   (ii) was subject to an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days (an "order") that was issued after the proposed director ceased to be a director, CEO or CFO and which resulted from an event that occurred while that person was acting in the capacity as director, CEO or CFO;

(b) is, as at the date of this Circular, or has been within ten years before the date of this Circular, a director or executive officer of any company that, while acting in that capacity, or within a year of 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;

(c) has, within the ten years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director;

(d) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or;

(e) has been subject to any other penalties or sanctions imposed by a court or a regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a director nominee.

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

The following discussion and analysis focuses on the design of the compensation program for the Company's Named Executive Officers (the "NEOs") as provided for in National Instrument 51-102. For the 2011 financial year, the NEOs are:

- Andrew Moor - President and Chief Executive Officer
- John Ayanoglou - Senior Vice President and Chief Financial Officer[1]
- William Edmunds - Senior Vice President and Chief Risk Officer
- Ronald Tratch - Vice President, Commercial Credit
- David Downie - Assistant Vice-President, Commercial Mortgage – Broker Services ("CM-BS")

[1] Mr. Ayanoglou's employment with the Company ceased as of September 12, 2011 and Mr. Wilson joined the Company as Chief Financial Officer on January 3, 2012.

Compensation Governance and Oversight

The HRC Committee assists the Board in its oversight role with respect to the Company's compensation philosophy and structure and in carrying out its responsibilities by:

- reviewing the Compensation Policy and Program;
- reviewing and approving annual performance targets and corporate targets relevant to the compensation of the President and CEO (the "CEO") and annually recommending to the Board the CEO's compensation, following an evaluation of the CEO's performance against such targets;
- recommending the compensation of the remaining NEOs to the Board for their approval, following a review of their performance assessments and compensation recommendations provided by the CEO;
- reviewing and approving the compensation of the remaining executive officers, following a review of their performance assessments and compensation recommendations provided by the CEO;
- assessing the appropriateness of compensation relative to actual performance and business risks undertaken.
- reviewing the senior level organizational structure of the Company; and
- supporting the board in its oversight of succession planning and talent management.

The full mandate of the HRC Committee is available on the Company's website at www.equitabletrust.com.

The HRC Committee is comprised of three (3) directors: Katherine Rethy, who serves as Chair, Lynn McDonald and Lionel Robins. All members of the HRC Committee are "independent" within the meaning of the CSA rules. The members of the HRC Committee have experience in compensation matters as senior leaders of large organizations, including one member with extensive experience in the financial services sector. In addition each of the members has sat or currently sits on the boards of other companies. In the case of the Chair, she has had significant experience in the area of human resources and compensation with prior line responsibility for human resources and as Chair of a Human Resources Committee for another publicly-traded company. The Chair has also sat on the Company's Audit Committee and presently sits on the Company's Risk and Capital Committee of the Board. The Board believes that collectively, this experience provides the HRC Committee with the knowledge, skills, experience and background to fulfill its mandate effectively. Moreover, the cross-membership between this Committee and the Risk and Capital Committee supports the effective oversight of compensation and its alignment with the Company's risk management principles.

The HRC Committee held 6 meetings in 2011. The CEO and the Vice-President, Human Resources attend the meetings of the HRC Committee but do not have the right to vote on any matter. No officer, including the CEO, is present when his or her compensation is discussed.

In addition to the above, the HRC Committee has adopted good governance practices which include; utilizing a work plan which maps out all regularly occurring matters the committee has responsibility for and which must be addressed; holding in-camera sessions without management present; and hiring an external advisor to advise the Committee on the compensation program all of which have assisted the Committee in effectively carrying out its mandate.

Aligning Compensation with Risk Management Principles

Effective risk management is critical to the Company's success and achievement of its business strategies. To this end, the Company has taken a number of steps to ensure a disciplined approach to risk management including; identifying the principal risks facing the Company; developing methods to quantify, measure and report on such risks; building an enterprise risk management framework; forming an enterprise risk management committee; enhancing the role of the Chief Risk Officer and in 2011 forming the Risk and Capital Committee of the Board.

This disciplined approach to risk management has extended to the Company's compensation program and practices. Aligning compensation with the Company's risk management principles promotes the Company's compensation philosophy which strives to align pay for performance with the Company's business strategy to drive business performance, reward prudent management of a financial institution and protection of its depositors, be competitive and maximize long term shareholder return within a risk controlled environment. In reviewing the risks associated with the compensation policy and program, the HRC Committee considered the following:

- Compensation is awarded on corporate targets that reflect the Company's key drivers of performance as outlined in its strategic plan.
- The current design of the annual incentive plan supports risk mitigation as maximum bonuses are set to be achievable and are generally capped as a percentage of salary, with no exception being granted unless reviewed by the HRC Committee and approved by the Board. As such there is no incentive to take undue risks that exceed the Company's risk appetite.
- Enhancements to the compensation program to further balance the mix between long and short-term incentives by extending the term of options from 6 to 7 years and introducing a Restricted Share Unit plan (the "RSU Plan").
- Share ownership requirements for the CEO.
- Under the Company's Insider Trading Policy, no employees can engage in hedging activities with respect to the Company's securities.
- The Committee has the ability to reduce short-term incentives to zero and the Board has overriding discretion to adjust the awards of the NEOs as it deems appropriate.
- The engagement of an independent compensation consultant to provide advice to the HRC Committee.
- The formation, in 2011 of the Risk and Capital Committee which is specifically responsible for reviewing with the HRC Committee, the Committee's assessment of compensation alignment with the Company's principal risks.

The Principles for Sound Compensation Practices and Implementation Standards established by the Financial Stability Board ("FSB Principles") were designed to enhance the stability and soundness of financial institutions by protecting them against excessive risk taking. The Company's approach to compensation generally aligns with the FSB Principles. It is anticipated that regulatory standards will continue to evolve and as such the Company will continue to make changes to its compensation practices to ensure continued alignment.

Financial Stability Board Principles	The Company's Compensation Practices	
The Board actively oversees the design and operation of the Company's compensation system	• The Board is responsible for approving the Company's compensation philosophy and structure through the review and approval of the Compensation Policy, as well as reviewing and adjudicating on salary recommendations for the executive officers. • The HRC Committee: o Reviews the performance of the executive officers and makes compensation recommendations to the Board; o Makes determinations of incentive compensation and criteria; and o Oversees the hiring, promotion and compensation of executive officers.	Effective Governance of Compensation
The Board monitors and reviews the compensation system to ensure it operates as intended	• The Board, with the support of the HRC Committee, monitors and reviews the compensation system to ensure alignment with risk management principles and practices. Such reviews include, but are not limited to, the design of compensation programs, payouts, and ultimately reviewing and approving the Compensation Policy. • Performance targets for executive officers are established annually in the first quarter. • Performance against established targets is evaluated at the end of each year to assist in determining the compensation award for such year. • The HRC Committee has engaged an independent compensation consultant to assist in the review of the Company's Compensation Policy and Program, including the structure and level of compensation to executive officers.	
Staff engaged in financial and risk control must be independent, have appropriate authority, and be compensated in a manner that is independent of the business areas they oversee and commensurate with their key role in the firm	• Compensation for executive officers in key control functions such as risk, audit, compliance and finance, is determined independent of the results of the specific business supported.	
Compensation must be adjusted for all types of risk	• The Chair of each of the following Committees, including the Chair of the Board, sits on the Risk and Capital Committee: HRC Committee, Investment Committee and Audit Committee. The cross-membership between each of these committees and the Risk and Capital Committee supports the effective oversight of the Company's principle risks and alignment with the Company's risk management principles • All executive compensation plans include a discretionary element which allows the HRC Committee to consider risk when making compensation determinations for executive officers • Enterprise-wide targets reviewed by the HRC Committee and approved by the Board are used to determine compensation awards which in 2011 included: return on equity, earnings per share and building the single-family business.	Effective Alignment of Compensation with Prudent Risk Taking
Compensation outcomes must be symmetric with risk outcomes	• Quantum of performance-based incentive amount budgeted is based on qualitative and quantitative criteria. • Short-term incentives ("STI") are subject to maximum percentages of base salary and have no minimum. Performance-based incentive programs are stress tested to assess the impact of maximum bonus pay-outs on the Company's capital position.	
Compensation payout schedules must be sensitive to the time horizon of risks	• Options vest one-quarter in each year after they are awarded and RSUs vest three (3) years after awarded. • Share ownership requirements for the Board and the CEO to align their interests with shareholders. • A portion of the CEO's variable compensation is deferred and paid out over 3years. • A portion of the incentive program for other NEOs is deferred and vests after 3 years while another portion vests over 4 years with a term of 7 years to ensure alignment of compensation with the risk time horizon and to enhance the focus on creating longer-term value.	Effective Alignment of Compensation with Prudent Risk
The mix of cash, equity and other forms of compensation must be consistent with risk alignment	• The mix of compensation awards changes with seniority such that the more senior the position, the greater equity-based compensation is as a percentage of total compensation.	

Based on the above, the HRC Committee is satisfied that the Company's compensation policy and program do not encourage risks which are likely to have a material adverse effect on the Company.

In 2011 the HRC Committee focused on the Company's compensation program (the "Program") and its redesign to meet governance expectations and market practices. To this end, an in-depth review of the structure, amount and form of compensation was conducted. The HRC Committee intends to continue its review and enhancements of the Program in 2012.

Independent Advice

The HRC Committee has retained Towers Watson as its external independent compensation advisor since 2009. In 2011 Towers Watson was engaged by the HRC Committee for advice and counsel; its role included:

- Review and provide advice on Program re-design to meet governance expectations.
- Independent review and advice on the Compensation Policy.
- Review and provide advice on proposed peer group for benchmarking purposes.
- Review and provide advice on the compensation competitiveness of the Company's executive officers.
- Provide advice on the annual incentive plan process including the approach to further align corporate scorecard and incentive payouts.
- Provide advice on the Long-Term Incentive Plan ("LTIP") eligibility and pay mix recommendations.
- Review and providing advice on RSU implementation.
- Review the long-term incentive grants to executive officers.
- Information circular review.

The HRC Committee regularly meets *in-camera* with Towers Watson to ensure overall effectiveness of the HRC Committee's oversight of compensation.

The table below shows fees paid to Towers Watson in 2011 and 2010.

Services Performed	Fees paid in 2011 ($)	Fees paid in 2010 ($)
Executive Compensation-related fees	109,312	21,939
All other fees	0	0

The HRC Committee must pre-approve any other services the independent compensation advisor provides to the Company at the request of management. In 2011 Towers Watson did not provide any other services to the Company.

Executive Compensation Philosophy

The Company is committed to developing a competitive Program that will attract, motivate and retain the necessary talent to meet its corporate objectives. In 2011 the Company updated its Compensation Policy which formalized the required elements of the Company's Program based on our philosophy of paying for performance that is aligned with the business strategy of the Company to drive business performance, reward prudent management of a financial institution, be competitive and maximize long-term shareholder value.

The Program is based on the following guiding principles:

- To be competitive and to align with the achievement of corporate, departmental and individual objectives.
- To align with the principles set out in the FSB Principles.
- To incent effective teamwork amongst employees; a culture of exceptional service; efficient use of economic and regulatory capital; prudent management to maintain integrity of the institution for shareholders and depositors and delivery of strong financial performance.
- To foster effective risk management practices and reward results that are aligned with the Company's risk appetite.

- To “pay for performance” where the amount of pay at risk is reflective of the level and nature of the position.
- To align executive compensation with shareholder interests.

The HRC Committee supports a simple compensation structure where the link between performance and pay is transparent and easily understood by its employees. Overall, the Program and in particular, NEO compensation, is designed to align with the individual’s overall stewardship and governance responsibilities.

Compensation Decision Making Process

Benchmarking and Competitive Positioning

The competitive market for executive talent is drawn from various businesses within the financial services industry. The Company regularly reviews elements of compensation and compensation levels based on market research, intelligence, HR consultants, trends and competitive practices obtained through participation in various compensation surveys. For benchmarking and competitive positioning purposes, the Committee periodically reviews the compensation for comparable positions in companies within the same industry having similar scope of operations with which the Company would compete for executive talent.

In 2011, the HRC Committee retained Towers Watson to conduct a detailed competitive compensation review of 11 of the Company’s executives and of the current incentive plan design. Towers Watson prepared initial recommendations regarding the Company’s peer group and the potential for additional companies to be included in the peer group for consideration by the HRC Committee. The HRC Committee reviewed criteria used including; total revenue, market capitalization and net income and agreed that the peer group should be expanded to include; HomEquity Bank (Homeq Corporation), Genworth MI Canada Inc. and MCAN Mortgage Corp. The companies considered representative of the industry the Company operates in and as such selected as the peer group were: Home Capital Group Inc.; Canadian Western Bank; HomEquity Bank; AGF Management Ltd.; Genworth MI Canada Inc.; MCAN Mortgage Corp. and First National Financial Income Fund.

The following table outlines the comparative position of the Company in relation to its peer group on the basis of total revenue, market capitalization and assets.

Select Proxy Sample	
• AGF Management Ltd.	• Home Capital Group Inc.
• Canadian Western Bank	• HOMEQ Corp.
• First National Financial Corp.	• MCAN Mortgage Corp.
• Genworth MI Canada Inc.	

	Revenue	Market Cap. *	Assets
25th Percentile	$36	$226	$3,894
50th Percentile	$479	$1,510	$5,393
75th Percentile	$789	$1,947	$14,772
Average	$439	$1,221	$8,604
Equitable	***$439***	***$375***	***$10,257***
Percent Rank	***47P***	***27P***	***59P***

All data sourced from S&P Capital IQ and most recent financial statements.

* Market Capitalization equals total common shares multiplied by closing share price as of December 31, 2011.

In addition to the peer group, Towers Watson also utilized a select survey sample of similarly sized financial services or general industry organizations from their Executive Compensation Data Bank with revenues between $100 million and $500 million for purposes of their competitive review.

The information derived from both of these samples was used to inform the evaluation of the competitive positioning and design of the Company's Program. However caution was applied in how the competitive market data was interpreted in light of the fact that there are a limited number of similarly-sized direct comparators to the Company in the Canadian market.

The Towers Watson report concluded that (i) base salary, target total cash and total direct compensation was generally within the competitive range of its peer group; (ii) the Company's philosophy of communicating maximum bonus opportunities versus target opportunities is not market typical; (iii) competitive long-term incentive plans among the Company's direct peers typically consist of an equal combination of options and RSUs and (iv) competitive option plans among the Company's direct peers typically have 3-4 year vesting periods and a term of 7 years.

Upon review of the Towers Watson report, the HRC Committee was satisfied as to the validity of the compensation data and plan structures which were used to assess the compensation levels and Program. The HRC Committee was also satisfied that on average, the Company's compensation is positioned within the competitive range of its peer group and is consistent with the Company's stated compensation philosophy. However, based on the findings of the report, the Company was asked to review the overall compensation mix with the result that an RSU Plan was approved in 2011 together with an increase to the term of Option grants to 7 years with a vesting of period of 4 years. The HRC Committee also undertook to review the performance target setting process generally and specifically, the practice of communicating maximum bonus opportunities versus target opportunities in 2012.

Elements of Executive Compensation

The Company's Program consists of four elements: base salary, short-term incentive in the form of annual cash bonus, long-term incentive in the form of RSUs and Options, and benefits. The mix of base salary, cash bonus, RSUs and Options varies with position and reflects the function each individual performs and his or her ability to impact the financial performance of the Company and resulting shareholder value. The more senior the position, the greater the link between individual, departmental and Company performance and compensation.

	Element	Objective	Performance Period	Payment Form
Total Direct Compensation	Base Salary *Fixed*	• Competitive compensation for required skills and experience	1 year	Cash
	Short-Term Incentive *At risk*	• Award achievement of specific annual objectives and financial goals	1 year	Cash
	Long-Term Incentive (Restricted Share Unit Plan) *At risk*	• Align interest of executives and shareholders • Retention	3 years	Restricted share units
	Long-Term Incentive (Option Plan) *At risk*	• Align interest of executives and shareholders • Retention	7 years(1)	Options
Indirect Compensation	Other (Benefits)	• Invest in employee health and well being • Funding for income at retirement	1 year	

(1) In 2011 the term of options was extended from 6 years to 7 years and the vesting period reduced from 5 years to 4 years.

Base Salary

In determining the base salary of executives, the Company's primary goal is to ensure that the competencies and experience required for a particular role are recognized. All executive salaries are set in reference to the executive's level of accountability, competitive market data, internal pay relationships, individual role requirements, formal and informal salary ranges, and the executive's proven capabilities. Base salaries are reviewed annually and adjusted, as appropriate, based on the above as well as on general market conditions, and Company performance. Significant changes to an executive's mandate may also result in changes to base salary.

In 2011, base salary increases for the NEOs were merit based and averaged 3.13% as compared to 3% for the Company as a whole.

Short-Term Incentive

The Company provides a short-term incentive ("STI") in the form of an annual cash bonus for all of its executives. The Company believes this element of compensation helps to motivate executives to achieve annual targets which align with short-term corporate objectives and to reward them to the extent such targets are achieved. This element of compensation is considered "at risk" as it is tied to the achievement of financial, corporate and strategic objectives relating to the implementation of the Company's business strategy, and the individual's personal targets.

At the end of 2011, the HRC Committee reviewed the Company's financial targets approved by the Board in early 2011. The Committee was provided with the summary below and discussed variations between targets and actual performance with the CEO. The HRC Committee approved the overall score of 98.6% and determined that that the aggregate bonus amount would be funded at the target/maximum amount.

Performance Factor	Target	Actual	Comment	Meet/Exceed
Earnings Per Share	Achieve $4.27 EPS (IFRS basis)[1]	$3.91	EPS was negatively impacted by $0.24 for an operational provision. Without this impact ETC would have achieved 97.1% of target compared to reported number of 91.6%. This factor has been scored at the mid-point of this range.	94.4%
ROE	16.5% (IFRS basis)	16.6%	N/A	100%
Build Single Family Business	Achieve single family origination of $1.2 billion	$1.25 billion	N/A	100%

[1] This target was originally set at $4.33 but, adjusted to $4.27 at mid-year 2011 to reflect the lower margins being generated through securitization margins as the impact of IFRS was fully understood. Actual EPS is adjusted for fair value fluctuations.

The achievement of the Company's financial metrics is a consideration when determining the amount of the annual performance incentive, however, the HRC Committee is of the view that strict adherence to mathematical formulas for determining annual performance incentives may lead to unintended results. As such, the HRC Committee has the discretionary authority to determine STI awards and may give consideration to factors beyond quantitative factors, such as: intervening events that may have arisen over the course of the year which had an impact on the executive's ability to meet his or her original objectives, any new objectives that were mutually agreed upon during the year, and the level of difficulty in achieving individual, departmental and corporate performance objectives.

In addition to the financial metrics, at the beginning of each year the HRC Committee establishes performance objectives for the CEO, which are based on the Company's strategic, financial, operational and risk objectives, and recommends these performance objectives to the Board for their approval. The performance objectives for the remaining NEOs are reviewed and approved by the CEO in consultation with each NEO. The objectives vary based on roles and accountabilities and are generally expected to be measurable and achievable over the course of the year. At the end of the year, the CEO and each of his direct reports summarize their actual performance against the pre-defined objectives set at the beginning of the year together with their overall rating.

In December 2011, the HRC Committee reviewed with the CEO the general performance of each of his direct reports. In February 2012, based on the reviews conducted in December the HRC Committee approved the total compensation of the CEO's direct reports, save and except for the NEOs whose compensation was recommended by the HRC Committee to the Board for their approval. The HRC Committee also reviewed the CEO's achievement of his objectives and recommended to the Board for their approval the CEO's compensation.

The maximum STI for the CEO is equal to 100% of base salary and is paid out over three years (see description under Compensation Awards-CEO). For 2011, the maximum STI for the Chief Risk Officer and the Chief Financial Officer was equal to 70% of base salary and the maximum STI for the remaining NEOs was 25% of base salary. Actual payouts for the NEOs are generally less than the maximum payout, but on occasion, may exceed the maximum, with approval of the HRC Committee and the Board, in circumstances where individual performance significantly exceeds objectives set for the year.

In 2011 the STI target/maximum awards for each NEO, except Mr. Ayanoglou whose employment with the Company ceased as of September 12, 2011, were as follows:

Name	2011 Target/Maximum STI Award (% of base salary)	2011 Actual STI Award (% of base salary)
Andrew Moor	100%	89%
William Edmunds	70%	66%
Ronald Tratch[1]	25%	35%
David Downie	25%	31%

[1] Actual STI award includes a $25,000 bonus paid for 2011 pursuant to the terms of Mr. Tratch's employment agreement.

Long-term Incentive

The Company provides a long-term incentive ("LTI") in the form of RSUs under the RSU Plan and Options under the Company's Option Plan to eligible employees. Both forms of equity-based compensation align the interests of executives with the interest of the shareholders. The Company also believes this component of compensation enhances its ability to attract, motivate and retain employees instrumental to the Company's success and serves as a continuing incentive to build shareholder value and to provide executives with an opportunity to build, over time, a meaningful economic stake in the Company. By offering both an RSU Plan and an Option Plan the Company can use different vesting and eligibility criteria for at-risk compensation.

The annual aggregate value of the grants under the LTIP for all eligible employees is determined by the HRC Committee upon review of the year's financial results. Although the achievement of the Company's financial targets are a consideration, in determining the annual aggregate value of the grant under the long term incentive plan, the HRC Committee has not established specific performance metrics that must be met to achieve a LTIP grant. The HRC Committee may consider a number of factors including: market competitiveness, the number of any previously granted options, the position level of the executive, the responsibilities associated with such position level, retention considerations, and internal equity. Once a determination is made, the HRC Committee submits its recommendation to the Board for modification or approval.

In 2011, the awarded value of the LTI was equally split between RSUs and Options for each of the NEOs save and except the CEO, who did not receive RSUs and Mr. Ayanoglou who ceased to be a NEO as of September 12, 2011. On a grant date for RSUs, the previous five-day weighted average trading price of a common share is divided into the value of the applicable allocation to arrive at the number of RSUs that will be granted to the executive. On a grant date for Options, the value of an Option on such date as determined using the Black-Scholes pricing model is divided into the value of the applicable allocation to arrive at the number of Options that will be granted to the executive.

RSU Plan

The RSU Plan was introduced in 2011 to enhance its LTIP. The RSU Plan replaces some of the incentive opportunities granted previously solely through Options. The introduction of the RSU Plan shifts the pay mix between short-term and long-term compensation to align with the Company's objectives of compensation deferral, alignment with shareholders and market typical compensation. Each RSU represents one notional common share and earns notional dividends, which are re-invested into additional RSUs when cash dividends are paid on the Company's common shares. RSUs are awarded by the Board in February (in recognition of the previous year's performance) during the annual compensation process and vest at the end of three years ("cliff vest"). Each RSU held at the end of the vesting period, including those acquired as dividend equivalents, will be paid to the participant in cash, the value of which will be based on the volume-weighted average closing price of the Company's common shares on the TSX for the 5 consecutive trading days immediately prior to the vesting. RSUs are awarded to mid-level management and above.

Option Plan

The Option Plan was introduced in 2004. Options are awarded to executives and other eligible employees. In March 2012, options were awarded at an exercise price of $29.32 for a term of seven years and vest equally over four years. As a result of the introduction of the RSU Plan, Option awards have been generally limited to senior management.

Mr. Moor received an annual LTIP grant in options equal to 58% of his 2011 base salary.

In 2012, the RSU and option awards for each NEO, except Mr. Ayanoglou who ceased to be a NEO as of September 12, 2011, were as follows:

	2011 RSU Awards			2011 Option Awards		
Name	Number Awarded (#)	Grant Date Fair Value[1] ($)	Award (% of base salary)	Number Granted (#)	Grant Date Fair Value[3] ($)	Option Award (% of base salary)
Andrew Moor[2]	0	0	0%	47,692	325,736	57.7%
William Edmunds	1,485	43,445	17.3%	5,950	40,639	16.2%
Ronald Tratch	475	13,897	6.6%	9,405[4]	56,886[4]	27.1%
David Downie	595	17,407	7.6%	2,380	16,255	7.1%

(1) The grant date fair value shown is based on the volume-weighted average trading price of the Company's common shares on the TSX for the five days prior to March 8, 2012 of $29.26.
(2) Mr. Moor was not granted RSUs on the basis that his contractual arrangement presently provides for a deferral of his short-term incentive.
(3) The grant date fair value is shown based on Black-Scholes option pricing model value of $6.83 per option.
(4) Pursuant to Mr. Tratch's employment agreement, 7,500 options were granted on December 12, 2011 at a grant date fair value of $5.85. The remaining 1,905 options were granted on March 5, 2012 at a grant date fair value of $6.83.

Further details of the Option Plan can be found starting on page 39.

Benefits

Executives receive the same benefits as all employees, including medical and dental care plans and life, disability and accident insurance. In addition, members of the executive team are entitled to participate in an annual executive medical program.

The Company does not have a pension plan for its executives and employees. All employees are eligible to participate in the Company's Group Registered Retirement Savings Plan ("RRSP") and Deferred Profit Sharing Plan ("DPSP") (collectively the "Plan"). Commencing January 1, 2012 the Company's maximum contribution to the DPSP increased by 0.5%. The Company will now make a maximum contribution of 5% of annual salary per year to the DPSP during the first five years of employment and 7.5% after five years of employment. The Company's contributions vest after two years of membership in the DPSP. In the event of termination within the two-year period of Plan membership, the Company's unvested contributions under the DPSP are returned to the Company. The Company does not provide any additional or supplemental pensions, retirement allowances or similar benefits to any executive officers.

In order to develop a sense of ownership and align the interest of the Company and employees, the Board approved on March 28, 2012 an Employee Share Purchase Plan ("ESPP"). Pursuant to the ESPP, employees of the Company or Equitable Trust may contribute up to 10% of their base salary for a calendar year to purchase common shares of the Company. The Company makes a matching contribution, on a delayed basis, of 50% of the employee's contribution up to a maximum of $2,500 per year. Common shares will be purchased on the market by an independent provider using amounts contributed. The Company will be implementing the ESPP in 2012.

Changes to Executive Compensation for 2012

While the Company continues to review its Compensation Policy and Program in light of best practices, it is not likely that there will be significant changes to them over the next year. That being said, the Company will continue to enhance various aspects of its Program. In 2012 the following is planned:

- A review of Mr. Moor's employment agreement for the purpose of considering the replacement of the existing annual incentive deferral with RSUs issuable under the Company's RSU Plan introduced in 2011.
- Enhancements to the Short-term Incentive Plan Design
    - establishment of target, threshold and maximum bonus levels by employee level;
    - determination of target, threshold and maximum performance levels for each of the corporate objectives incorporated in the corporate scorecard; and
    - develop a payout framework for STI based on performance rating and associated multiplier for both individual and corporate performance.
- Implementation of the ESPP.

2011 COMPENSATION AWARDS

The total amount of the 2011 STI and LTI payouts to all NEOs was reviewed by the HRC Committee and approved by the Board in February 2012. The approval was based on the Company's strong earnings performance and overall corporate performance for the year ending December 31, 2011. In making their determination, the HRC Committee gave specific consideration to management's success in the achievement of their corporate / financial targets which were established in the first quarter of 2011 and which are referred to on page 29. In addition to incentive compensation, the Board also approved the base salaries for all NEOs in February 2012 effective as of January 1, 2012.

Andrew Moor, President and CEO

CEO compensation decisions are made by the Board in consultation with the HRC Committee. In February 2012, the Board approved an increase in Mr. Moor's base salary for 2012 from $565,000 to $585,000. The 3.5% increase reflected Mr. Moor's achievements as determined by the Board for the 2011 fiscal year.

For the year ending December 31, 2011, Mr. Moor was entitled to a cash bonus of up to 100% of his base salary. The HRC Committee considered Mr. Moor's compensation in light of the Company's corporate and financial performance and his personal performance in attaining his objectives for the year. These objectives included: continuing to build the single family business; evolving the commercial business in identified niches; developing the organization for the future; continuing to survey and act on employee engagement; operating the business prudently by exceeding a defined total capital ratio; instituting a Board level Risk and Capital Committee; and generating shareholder returns as measured by EPS and ROE. A performance bonus of $500,000 was awarded to Mr. Moor representing 88.5% of Mr. Moor's base salary. Mr. Moor was also granted 58% of his base salary in stock options with an estimated value of $326,000.

In accordance with Mr. Moor's Employment Agreement, as amended to better align his compensation with the FSB Principles, Mr. Moor's annual cash bonus as determined by the HRC Committee and approved by the Board is to be paid out over three years. One-third of the $500,000 bonus was paid out in February 2012 with the remaining two thirds being satisfied by payments made over the following two years; one-third being satisfied in each of such years. Each one-third payment is satisfied by a calculation which aligns the deferred payment to the Company's performance during such period based on the volume-weighted average trading price of the Company's common shares and the aggregate dividend payments.

CEO Share Ownership Requirement

As provided for in the Compensation Policy, the CEO is required to hold, within four years of his appointment to the position, common shares with a total value equal to one times his base salary based on the greater of fair market value and the value at the time of purchase of the shares. Mr. Moor's shareholding position is significantly in excess of this minimum requirement.

William Edmunds, Senior Vice-President and Chief Risk Officer of Equitable Trust

Mr. Edmunds has been Senior Vice President and Chief Risk Officer of Equitable Trust since July 2007. Prior to joining Equitable Trust, Mr. Edmunds held positions with a number of financial institutions and has over 37 years in the financial services industry, with an emphasis on risk management.

Mr. Edmunds received his Bachelor of Economics from the University of Western Ontario. Mr. Edmunds is also a Certified General Accountant, a Fellow of the Institute of Canadian Bankers, and an Accredited Mortgage Professional.

Responsibilities

Mr. Edmunds is responsible for risk management for Equitable Trust, including chairing the Enterprise Risk Management Committee, managing the Internal Capital Adequacy Assessment Process ("ICAAP"), and risk analytics.

2011 Performance

Mr. Edmunds was responsible for developing a new integrated risk management framework for the enterprise. This framework incorporated enhanced risk analytic capabilities for all lines of business. He also was responsible for overseeing the ICAAP. Mr. Edmunds managed the restructuring of the internal credit function, enabling more direct and efficient oversight of credit related issues and thereby enabled more effective succession planning.

Ronald Tratch, Vice-President, Commercial Credit of Equitable Trust

Mr. Tratch joined Equitable Trust in August 2011 as Vice President, Commercial Credit. Prior to joining Equitable Trust, Mr. Tratch held positions with a private equity firm and prior to that with GE Commercial Finance for a period of 15 years. He received his Bachelor of Commerce degree from the University of Calgary and is a Certified Management Accountant.

Responsibilities

Mr. Tratch is responsible for management of the commercial credit risk operations of Equitable Trust. In his role, he oversees credit decisions for both CM-BS and Commercial Lending Services.

2011 Performance

In the short period of time that Mr. Tratch has been with the organization, his performance exceeded expectations. Mr. Tratch quickly transitioned into his new role and provided solid credit and management leadership to the Commercial Credit team. His tremendous depth of technical knowledge in addition to his superior people leadership and management skills enabled him to contribute at a senior executive level immediately upon joining the organization.

In accordance with the terms of Mr. Tratch's employment agreement, he received a bonus in the amount of $25,000. In addition, in recognition of his exceptional performance, the HRC Committee used its discretion in recommending an additional $5,000 to be awarded to Mr. Tratch.

David Downie, Assistant Vice-President, Commercial Mortgage – Broker Services ("CM-BS") of Equitable Trust

Mr. Downie has been Assistant Vice President since 2007. Prior to joining Equitable Trust in 1999, Mr. Downie worked in the mortgage business for 15 years in the financial services industry.

Responsibilities

Mr. Downie is responsible for the CM-BS department and for the direct origination of commercial loans. He oversees teams in both Montreal and Toronto.

2011 Performance

In 2011, Mr. Downie's performance was superior. Mr. Downie was successful in delivering exemplary customer service to the CM-BS customer base which resulted in building the asset base to a record of $1 billion, an increase of 20.8% over the prior year. Mr. Downie exceeded his key performance targets in both sales and ROE Mr. Downie also oversaw Equitable Trust's successful development within the Montreal market.

In recognition of Mr. Downie's exceptional performance, the HRC Committee exercised its discretion in recommending an STI award of $70,000 to him.

Cost of Management Ratio

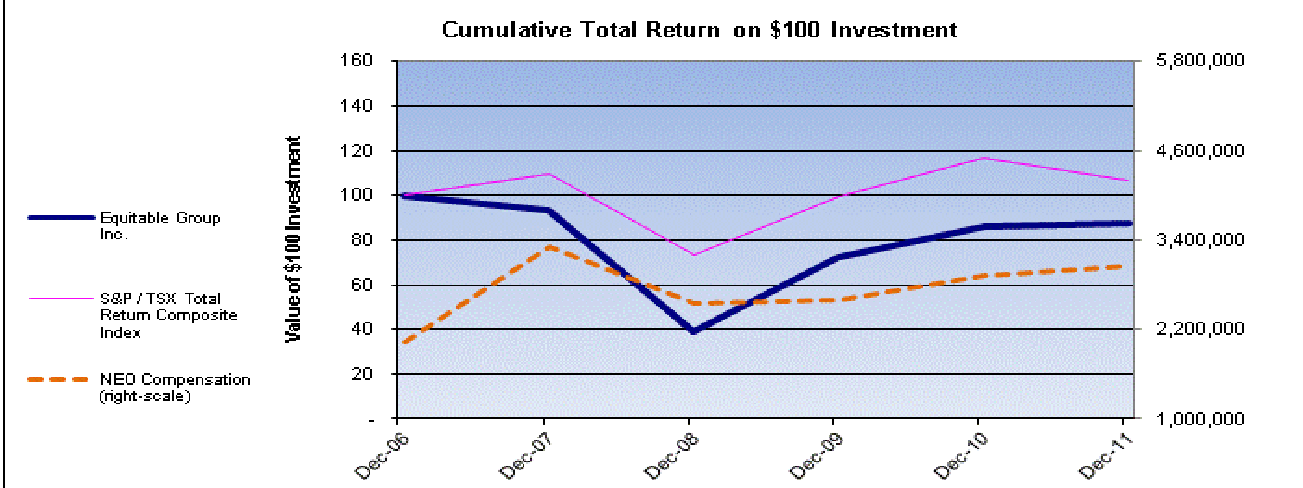
The following table shows the total aggregate compensation for the NEOs and the percentage of net income in each of the last three years. In 2011 total NEO compensation has gone down as a percentage of net income after tax.

	2011	2010(1)	2009(2)
Total Aggregate NEO Compensation	$3,056,781	$2,917,000	$2,592,000
Net Income After Tax	$62,186,000	$54,267,000	$51,438,000
% of Net Income After Tax	4.92%	5.38%	5.04%

(1) NEOs in 2010 were Andrew Moor, John Ayanoglou, William Edmunds, David Downie and Caryn Markman.
(2) NEOs in 2009 were Andrew Moor, John Ayanoglou, William Edmunds, David Downie and Kimberly Kukulowicz.

Performance Graph

The following graph shows the cumulative total shareholder return for $100 invested in the Company's common shares against the cumulative total shareholder return of the S&P/TSX Composite Index for the period beginning December 31, 2006 and ending December 31, 2011. It assumes the reinvestment of all dividends.



	29-Dec-06	31-Dec-07	31-Dec-08	31-Dec-09	31-Dec-10	31-Dec-11
Equitable Group Inc.	100	93	39	72	86	88
S&P / TSX Total Return Composite Index	100	110	74	99	117	107
NEO Compensation (right-scale)	2,036,178	3,319,285	2,555,087	2,591,809	2,916,962	3,056,781

The preceding graph shows the cumulative return over 5 years of $100 invested in common shares of the Company as of December 31, 2006 compared to the cumulative return of $100 invested in the S&P/TSX Composite Index over the same period. The graph also demonstrates the trend in total compensation earned by NEOs as compared to the Company's returns to shareholders over the same five year period. Generally the NEO compensation is aligned with the market performance. It should be noted that 2007 was a transitional year wherein the compensation of both the incoming CEO and outgoing CEO were included in the calculation of NEO compensation. It is important to note that the NEO compensation includes salary, actual bonus earned and the fair market value of LTI. As a significant portion of compensation is delivered through LTI, the actual value delivered to the executives will vary with the shareholder experience and is not illustrated on this chart. While the Company believes total shareholder return has an influence on total executive compensation it does not expect a direct correlation will always exist between total shareholder return and total executive compensation (including grant date LTI) since other factors are considered when making executive compensation decisions at year end. Those factors include changes to NEO responsibilities and corresponding increases in compensation, adjustments to compensation necessary to reflect changes in market conditions, and compensation paid to reward NEOs for results that may not be reflected immediately in total shareholder return. That being said, the chart above demonstrates a consistent alignment between shareholder return and the level of executive compensation over the past six years with the last four years, in particular, evidencing only moderate to low increases in NEO compensation.

SUMMARY COMPENSATION TABLE

The following table summarizes total compensation awarded to the NEOs of the Company and Equitable Trust in respect of the financial year ended December 31, 2011.

Name and principal position	Year	Salary ($)	Share-based Awards[1] ($)	Option-based awards[2] ($)	Non-equity Incentive Plan Compensation ($) Annual incentive plans ($)	Pension value[3] ($)	All Other Compensation ($)	Total compensation[4] ($)
Andrew Moor President and Chief Executive Officer	2011 2010 2009	565,000 550,000 517,500	0 0 0	325,736 441,000 148,000	500,000[5] 300,000 517,500	11,000 11,000 11,000	0 0 0	1,401,736 1,302,000 1,194,000
John Ayanoglou[6] Former Senior Vice-President, Finance and Chief Financial Officer	2011 2010 2009	177,792 243,904 236,800	0 0 0	0 76,875 46,250	0 150,000 147,000	0 8,537 5,920	435,897[6] 0 0	613,689 479,316 435,970
William Edmunds Senior Vice-President, Credit and Chief Risk Officer of Equitable Trust	2011 2010 2009	251,000 243,904 236,800	43,246 0 0	40,639 76,875 46,250	165,000 150,000 147,000	11,000 8,537 5,920	0 0 0	510,965 479,316 435,970
Ronald Tratch Vice-President, Commercial Credit of Equitable Trust	2011 2010 2009	86,827[7] 0 0	13,833 0 0	56,886 0 0	30,000 0 0	0 0 0	0 0 0	187,572 0 0
David Downie, Assistant Vice-President, Commercial Mortgage-Broker Services of Equitable Trust	2011 2010 2009	228,000 221,450 215,000	17,327 0 0	16,255 30,750 18,500	70,000 70,000 50,000	11,000 11,000 5,892	0 0 0	342,615 333,200 289,392

(1) Restricted Share Units were awarded in March 2012 in recognition of the NEO's performance in 2011. The grant date fair market value of the RSUs is based on the volume-weighted average trading price of a Company common share on the TSX for the five days prior to March 8, 2012.

(2) The Black-Scholes option pricing model is used to determine the value of stock options for compensation purposes. The option-based compensation value assumes a forfeiture of 0%. The option-based compensation value differs from the accounting fair value disclosed in the Company's financial statements. The assumptions used in the accounting fair value calculation are based on an expected forfeiture of either nil or 25%. This is consistent with the IFRS 2 and reflects forfeitures as well as the exercise pattern of the NEO's. The weighted average accounting fair value of each Option granted to Mr. Tratch on December 12, 2011 is $5.85. The weighted average accounting fair value of each Option granted in March 2012 for performance in 2011 is $6.83 for both Mr. Moor and Mr. Edmunds and $5.13 for all other NEO's. The weighted average accounting fair value of each Option granted in 2010 was $6.30 for Mr. Moor and $4.61 for all other NEO's. The weighted average accounting fair value of each Option granted in 2009 was $3.70 for all NEO's.

(3) The Company's contribution to the NEO's Deferred Profit Sharing Plan.

(4) The value of perquisites and benefits for each NEO does not exceed the lesser of $50,000 and 10% of the total annual salary and bonus.

(5) Pursuant to the terms of his Employment Agreement, as amended by an Amendment Agreement made as of December 7, 2009, (the "Amendment") Mr. Moor received $166,667 representing one third of his 2011 annual bonus, with the remaining two thirds being deferred over the next two years. Each one-third cash payment is satisfied by payment of a deferred amount calculated in accordance with the terms of the Amendment.

(6) Mr. Ayanoglou left the Company on September 12, 2011. Amount shown includes severance costs and Option vesting acceleration.

(7) Mr. Tratch joined the Company on August 2, 2011. The disclosed annual salary was pro-rated to reflect his employment in 2011.

INCENTIVE PLAN AWARDS

Outstanding Option-based Awards and Share-based Awards

The table below shows all NEO option awards that were outstanding as at December 31, 2011. There were no share-based awards outstanding as at December 31, 2011.

Name	Option-based Awards					Share-based Awards		
	Number of securities underlying unexercised options		Option exercise price ($)	Option expiration Date	Value of unexercised in-the-money options[1] ($)	Number of shares or units that have not vested (#)	Market or payout value of share-based awards that have not vested ($)	Market or payout value of vested share-based awards not paid out or distributed ($)
	Vested	Unvested						
Andrew Moor	120,000	30,000	34.49	Mar 1, 2012	0	-	-	-
	24,000	6,000	28.63	Dec 7, 2012	0			
	18,000	12,000	11.55	Nov 25, 2013	403,500			
	16,000	24,000	20.60	Dec 7, 2015	176,000			
	14,000	56,000	24.50	Dec 10, 2016	35,000			
John Ayanoglou[2]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
William Edmunds	24,000	6,000	31.75	Aug 1, 2012	0	-	-	-
	5,000	8,000	11.55	Nov 25, 2013	174,850			
	2,500	7,500	20.60	Dec 7, 2015	44,000			
	2,500	10,000	24.75	Dec 7, 2016	3,125			
Ronald Tratch	0	7,500	26.01	Dec 12, 2018	0	-	-	-
David Downie	6,000	12,000	11.55	Nov 25, 2013	242,100	-	-	-
	1,000	3,000	20.60	Dec 7, 2015	17,600			
	1,000	4,000	24.75	Dec 7, 2016	1,250			

(1) Value is based on the closing price of the Company's common shares on the TSX on December 31, 2011 of $25.00 less the exercise price of such options.
(2) Pursuant to the terms of Mr. Ayanoglou's employment agreement, Options vesting at the next two anniversary dates were deemed to have vested and were ceased to be exercisable within a period of 30 days after termination of employment.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table shows the value of option-based awards that vested in the year ended December 31, 2011, and the annual short-term incentive/cash bonus plus the value of RSUs awarded to each NEO for the year then ended. The cash bonus was paid out and the RSUs were awarded in February 2012.

Name	Option-based awards - value vested during the year[(1)] ($)	Non-equity incentive plan compensation - value earned during the year ($)
Andrew Moor	150,720	500,000
John Ayanoglou	278,500	0[(2)]
William Edmunds	74,225	208,327
Ronald Tratch	0	43,859
David Downie	93,270	87,360

(1) Value is based on the closing price of the Company's common shares on the TSX on the date of vesting and the exercise price of Options. If the closing price of the Company's common shares was below the exercise price, the Option had no current value and is valued at $0.

(2) Mr. Ayanoglou's employment with the Company ceased as of September 12, 2011.

Securities Authorized for Issuance under Equity Compensation Plans

The following table lists the number of common shares to be issued upon the exercise of outstanding Options under the Option Plan, the weighted-average exercise price of the outstanding Options, and the number of securities remaining for future issuance under the Plan as at March 28, 2012.

Plan Category	Number of securities to be issued upon exercise of outstanding options (4.4% of issued and outstanding common shares as of March 28, 2012)	Weighted-average price of outstanding options ($)	Number of securities remaining available for future issuance under equity compensation plans[(1)] (5.6% of issued and outstanding common shares as of March 28, 2012
Equity compensation plans approved by securityholders	655,727	23.01	848,471

(1) Based on the maximum number of common shares reserved for issuance under the Option Plan upon the exercise of stock options of 1,504,198.

Option Plan

The Option Plan was established for the purpose of attracting, motivating and retaining employees instrumental to the Company's success. It also serves as a continuing incentive to build shareholder value and to provide senior management with an opportunity to build, over time, a meaningful economic stake in the Company. As of March 28, 2012, 923,881 common shares had been issued pursuant to options granted under the Option Plan, representing 6.1% of the Company's outstanding issued and outstanding common shares as of that date.

Options are granted at an exercise price equal to the closing price of the Company's common shares on the TSX on the day preceding the grant. Each Option, unless earlier terminated, expires on the date determined by the Board at the time of grant of such option, but in any event, no later than ten years after the date of such grant. Prior to 2009, Options were granted with a five-year term and vested 20% per year commencing on the first anniversary date of the grant. In 2009, the Board granted Options for a six-year term with five-year ratable vesting and in 2011, the Board commenced granting Options for a seven-year term with four-year ratable vesting. Options may be exercised in whole or in part before the expiration date set by the Board at the time of the grant. Should the expiry date occur during a blackout period or within the ten business days immediately following such blackout period imposed by the Company, the expiry date will be automatically extended for 10 business days after the last day of the blackout period.

The Option Plan is currently a rolling plan whereby any exercise, cancellation or expiration of Options will allow for additional new grants under the Option Plan. The Option Plan provides for the granting of Options to officers, full-time employees and consultants of the Company and Equitable Trust. Options are regularly granted to executives and selected employees in conjunction with other compensation awards. The Board discontinued granting options to the non-management directors in 2009.

Options cannot be transferred, pledged or assigned, subject to the right to transfer Options to an option holder or held by a wholly owned holding company of the option holder at the time it ceases to be wholly owned by the option holder. The Company does not provide any financial assistance to facilitate the purchase of common shares on the exercise of Options. In the event of a change of control, all options held become exercisable.

Other terms and conditions of the Option Plan include:

Event	Options Vested but Unexercised on Departure Date	Unvested Options on Departure Date
Resignation	Exercisable for 30 days, or as may be determined by the Board	Forfeited
Retirement	Exercisable for 30 days	Forfeited
Termination	Exercisable for 30 days	Forfeited
Death	Exercisable by the earlier of the original expiry date and one year	Forfeited

Under the Option Plan, the Board may from time to time amend, suspend or terminate the Option Plan or any portion of the Option Plan, subject to any required shareholder or regulatory approval. Subject to receipt of requisite regulatory approval, where required, and without further shareholder approval, the Board may the following amendments to the Option Plan:

- “housekeeping” and administrative changes;
- changes to the terms, conditions and mechanics of grant, vesting, exercise and early expiry of an Option;
- any amendments designed to comply with applicable laws, tax or accounting regulations; and
- any other amendment, fundamental or otherwise, not requiring shareholder approval under applicable laws or the rules, regulations and policies of the TSX.

Certain amendments to the Option Plan that cannot be made without shareholder approval include:

- an increase in the maximum number or percentage of the issued and outstanding common shares of the Company that may be reserved for issuance under the Option Plan;
- a reduction in the exercise price of Options or any cancellation and reissuance of Options at a lower exercise price to the same person;
- an extension of the expiry date of an Option held by insiders; and
- any change to the class of eligible recipients that may be granted options.

The number of common shares issuable to insiders at any time or issued to insiders within any one-year period pursuant to all security based compensation arrangements shall not exceed 10% of the Company’s outstanding common shares. In 2011 the Board granted to the Company’s insiders a total of 7,500 Options, representing 0.05% of the total number of outstanding common shares, of which 100% were granted to the NEOs.

No insider can be granted Options exceeding 5% of the number of issued and outstanding common shares. The maximum number of common shares issued to an insider in 2011 pursuant to Options granted was 7,500 common shares, representing 0.05% of the total number of outstanding common shares.

As of the date of this Circular, there were 655,727 common shares issuable pursuant to Options granted, representing 4.4% of the total number of outstanding common shares.

On March 28, 2012 the Board approved the amendments to the Option Plan outlined in the resolution at page 7 which resolution is being presented to the shareholders for approval. In addition, the Board exercised its authority and amended the Option Plan as follows:

- amended the definition of Change of Control by deleting "(iii) a resolution is adopted to wind-up, dissolve or liquidate the Corporation; and (v) as a result of or in connection with: (A) a contested election of directors, or; (B) a consolidation, merger, amalgamation, arrangement or other reorganization or acquisitions involving the Corporation or any of its Affiliates and another corporation or other entity, the nominees named in the most recent Management Information Circular of the Company for election to the Board shall not constitute a majority of the Board" from its definition; and

- amended the manner in which the fair market value of an option is determined from the closing price of the common shares on the TSX on the last business day immediately preceding the date of grant of such Option to the volume weighted average trading price of the common shares, calculated by dividing the total value by the total volume of securities traded for the five trading days immediately preceding the date of the grant of such Option.

Defined Contribution Plan Table

The following table shows details concerning RRSP and DPSP contributions for each NEO as at December 31, 2011.

Name	Accumulated value at start of year ($)	Compensatory ($)	Non-compensatory[(1)] ($)	Accumulated value at year-end ($)
Andrew Moor	68,807	11,000	2,383	77,424
John Ayanoglou	47,299	(14,507)[(3)]	(32,792)[(3)]	0
William Edmunds	59,180	11,000	8,423	78,603
Ronald Tratch[(2)]	0	0	0	0
David Downie	75,238	11,000	7,295	93,533

(1) NEO's contribution to the Group RRSP and interest earned on Company's and NEO's contributions.
(2) Mr. Tratch commenced employment with the Company on August 2, 2011.
(3) Pursuant to the terms of the RRSP and DPSP employer contributions are vested following 2 years of continuous membership which had not been met at the time of Mr. Ayanoglou's departure.

TERMINATION AND CHANGE OF CONTROL

All NEOs had employment agreements with Equitable Trust ("ETC") in 2011 which include detailed provisions relating to payments and other obligations arising on the termination of their employment. These provisions are set out in the following tables. Although RSUs were awarded in February 2012 for performance in 2011, as at December 31, 2011 there were no RSUs granted to NEOs and as such the termination and change in control provisions of the RSU Plan have not been incorporated in the following tables.

Andrew Moor, President and CEO

Compensation Component	Termination with Cause	Termination without Cause	Death	Change of Control	Voluntary Termination
Severance	Cessation of salary. Payment of any accrued and unpaid base salary plus any accrued and outstanding vacation pay.	Salary continuance of base salary plus average performance bonus for the immediately preceding 3 years, for the following period: • If termination occurs within the first 5 years of employment, the earlier of 12 months or re-employment; • If termination occurs on or after the fifth year of employment, the earlier of 13 months, plus one additional month for each year of employment to a maximum of 24 months, or re-employment. Accrued and outstanding vacation pay, and upon re-employment, or upon request, a lump sum payment of 50% of salary continuance for remaining period; all other benefits will cease.	Cessation of salary. Payment of any accrued and outstanding vacation pay.	Cessation of salary. Payment of any accrued and outstanding vacation pay.	Upon giving 60 days prior written notice, entitled to salary continuance until the end of the 60 day period. Payment of any accrued and outstanding vacation pay.
Performance Bonus	Cash amount of deferred bonus calculated in accordance with Employment Agreement.	If terminated *prior* to the end of any fiscal year, entitled to payment of the average performance bonus for the immediate preceding 3 years, pro-rated to the number of days in that fiscal year up to the date of termination. If terminated between January 1 of any year and the Board meeting dealing with year-end matters in February of that same year, entitled to receive full bonus for the preceding fiscal year.	Entitled to payment of the average performance bonus for the immediately preceding 3 years, pro-rated to the number of days in that fiscal year up to the date of death, plus entitled to cash amount of deferred bonus calculated pursuant to Employment Agreement.	Entitled to cash amount of deferred bonus calculated pursuant to Employment Agreement.	Not applicable.
Options	In accordance with the Option Plan, all Options will cease to be exercisable within a period of 30 days after the termination date.	Acceleration of all unvested Options that will vest on the next date after the date of termination.	In accordance with the Option Plan, Options may be exercised within a period determined by the Board provided that such period is the earlier of (i) the expiry date of the Options, and (ii) 12 months following the date of death.	In accordance with the Option Plan, all Options vest and become exercisable.	In accordance with the Option Plan, all Options will cease to be exercisable within a period of 30 days after the termination date.
Other	Not applicable.	Continued coverage under ETC's benefits program for the lesser of the salary continuance period or upon re-employment.	Not applicable.	Not applicable.	Upon giving 60 days prior written notice, entitled to continued benefit coverage until the end of the 60-day period.

John Ayanoglou, Senior Vice-President, Finance and Chief Financial Officer[1] and William Edmunds, Senior Vice-President, Chief Risk Officer

Compensation Component	Termination with Cause	Termination without Cause	Death	Change of Control	Voluntary Termination
Severance	Cessation of salary. Payment of any accrued but unpaid base salary and outstanding vacation pay to the date of termination.	Salary continuance of base salary plus average performance bonus for the immediately preceding 3 years, for the following period: • If termination occurs within the first 5 years of employment, the earlier of 12 months or re-employment; • If termination occurs on or after the fifth year of employment, the earlier of 13 months, plus one additional month for each year of employment to a maximum of 24 months, or re-employment. Accrued and outstanding vacation pay, and upon re-employment, or upon request, a lump sum payment of 50% of salary continuance for remaining period; all other benefits will cease.	Cessation of salary. Payment of any accrued but unpaid base salary and outstanding vacation pay to the date of death.	Cessation of salary. Payment of any accrued and outstanding vacation pay.	Upon giving 30 days prior written notice, entitled to salary continuance until the end of the 30 day period. Payment of any accrued and outstanding vacation pay.
Performance Bonus	Not applicable.	Not applicable.	Not applicable.	Not applicable.	Not applicable.
Options	In accordance with the Option Plan, all Options will cease to be exercisable within a period of 30 days after the termination date.	If termination occurs during *first* year after a grant of Options, none of the Options pertaining to such grant will vest. If termination occurs during the *second* year after a grant of Options, the Options which would vest at the next anniversary date of such grant will be deemed to have vested. If termination occurs during the *third year or later* after a grant of Options, the Options which would vest at the next 2 anniversary dates of such grant will be deemed to have vested.	In accordance with the Option Plan, Options may be exercised within a period determined by the Board provided such period is the earlier of (i) the expiry date of the Options, and (ii) 12 months following the date of death.	In accordance with the Option Plan, all Options vest and become exercisable.	In accordance with the Option Plan, all Options will cease to be exercisable within a period of 30 days after the termination date.
Other	Payment of any amounts owed pursuant to ETC's benefits program to the date of termination.	*Within first 5 years of employment*: • Continued coverage under ETC's benefits program for the earlier of 12 months or re-employment. *After 5 years of employment:*: • Continued coverage under ETC's benefits program for a period of 13 months plus one additional month for each year of employment to a maximum of 24 months. Continued coverage under ETC's benefits program for the earlier of 12 months or re-employment.	Payment of any amounts owed pursuant to ETC's benefits program to the date of death.	Not applicable.	Upon giving thirty (30) days prior written notice, entitled to continued benefit coverage until the end of the thirty (30) day period.

[1] Mr.Ayanoglou's employment with the Company ceased as of September 12, 2011.

Ronald Tratch, Vice-President, Commercial Credit

Compensation Component	Termination with Cause	Termination without Cause	Death	Change of Control	Voluntary Termination
Severance	Cessation of salary. Payment of any accrued but unpaid base salary and outstanding vacation pay to the date of termination.	Cessation of salary. If employed for less than 1 year as at the date of termination, entitled to 3 months' notice. If employed longer than one year as at the date of termination, entitled to 3 months' notice, plus 1 month notice for each year of employment thereafter, up to a maximum of 12 months.	Not applicable.	Not applicable.	Not applicable.
Performance Bonus	Not applicable.	Not applicable.	Not applicable.	Not applicable.	Not applicable.
Options	Unvested Options are cancelled on day of termination and vested Options are exercisable for 30 days from date of termination	Upon termination, unvested Options are cancelled and vested Options are exercisable for 30 days	In accordance with the Option Plan, Options may be exercised within a period determined by the Board provided that such period is the earlier of (i) the expiry date of the Options, and (ii) 12 months following the date of death.	In accordance with the Option Plan, all Options vest and become exercisable.	In accordance with the Option Plan, all Options will cease to be exercisable within a period of 30 days after the termination date
Other	Not applicable.	Not applicable.	Not applicable.	Not applicable.	Not applicable.

David Downie, Assistant Vice-President, Commercial Mortgage-Broker Services

Compensation Component	Termination with Cause	Termination without Cause	Death	Change of Control	Voluntary Termination
Severance	Cessation of salary. Payment of any accrued but unpaid base salary and outstanding vacation pay to the date of termination.	Cessation of salary. Entitled to 8 week's salary plus any such payments as afforded by the common law as well as any accrued and outstanding vacation pay.	Not applicable.	Not applicable.	Not applicable.
Performance Bonus	Not applicable.	Not applicable.	Not applicable.	Not applicable.	Not applicable.
Options	Unvested Options are cancelled on day of termination and vested Options are exercisable for 30 days from date of termination.	Upon termination, unvested Options are cancelled and vested Options are exercisable for 30 days.	In accordance with the Option Plan, Options may be exercised within a period determined by the Board provided such period is the earlier of (i) the expiry date of the Options, and (ii) 12 months following date of death.	In accordance with the Option Plan, all Options vest and become exercisable.	In accordance with the Option Plan, all Options will cease to be exercisable within a period of 30 days after the termination date.
Other	Not applicable.	Not applicable.	Not applicable.	Not applicable.	Not applicable.

Tim Wilson joined the Company on January 3, 2012 as Vice-President and Chief Financial Officer. The table below sets out the termination and change of control provisions of his employment agreement with ETC.

Tim Wilson, Vice-President and Chief Financial Officer

Compensation Component	Termination with Cause	Termination without Cause	Death	Change of Control	Voluntary Termination
Severance	Cessation of salary. Payment of any accrued but unpaid base salary and outstanding vacation pay to the date of termination.	Salary continuance of base salary plus average performance bonus for the immediately preceding 3 years, or the period of employment if employment is less than 3 years, for the following period: • If termination occurs within the first 5 years of employment, the earlier of 12 months or re-employment; • If termination occurs on or after the fifth year of employment, the earlier of 13 months, plus one additional month for each year of employment to a maximum of 24 months, or re-employment. Accrued and outstanding vacation pay, and upon re-employment, or upon request, a lump sum payment of 50% of salary continuance for remaining period; all other benefits will cease.	Cessation of salary. Payment of any accrued but unpaid base salary and outstanding vacation pay to the date of death.	If change occurs within first 2 years of employment: Salary continuance of base salary plus average performance bonus for the immediately preceding 3 years, or the period of employment if employment is less than 3 years, for the following period: • If termination occurs within the first 5 years of employment, the earlier of 12 months or re-employment; • If termination occurs on or after the fifth year of employment, the earlier of 13 months, plus one additional month for each year of employment to a maximum of 24 months, or re-employment. Accrued and outstanding vacation pay, and upon re-employment, or upon request, a lump sum payment of 50% of salary continuance for remaining period; all other benefits will cease.	Upon giving 30 days prior written notice, entitled to salary continuance until the end of the 30 day period. Payment of any accrued and outstanding vacation pay.
Performance Bonus	Not applicable.	If terminated prior to the end of any fiscal year, a bonus for such fiscal year calculated by pro-rating the average performance bonus of the immediately preceding 3 years, or the period of employment if employment is less than 3 years. If termination occurs between January 1 of any year and the Board meeting relating to year-end issues in February of that year, entitlement is full bonus for the preceding year.	Not applicable.	If change occurs within first 2 years of employment: If terminated prior to the end of any fiscal year, a bonus for such fiscal year calculated by pro-rating the average performance bonus of the immediately preceding 3 years, or the period of employment if employment is less than 3 years. If termination occurs between January 1 of any year and the Board meeting relating to year-end issues in February of that year, entitlement is full bonus for the preceding year.	Not applicable.
Options	In accordance with the Option Plan, all Options will	Except if termination occurs during the first year of employment, the issued but unvested options which will best on the next date after the	In accordance with the Option Plan, Options cease to be	In accordance with the Option Plan, all Options vest and become exercisable.	In accordance with the Option Plan, all Options will cease to be

Compensation Component	Termination with Cause	Termination without Cause	Death	Change of Control	Voluntary Termination
	cease to be exercisable within a period of 30 days after the termination date.	date of termination shall immediately vest, and are to be exercised for 30 days. If termination occurs during *first* year after a grant of options, none of the options pertaining to such grant will vest. If termination occurs during the *second* year after a grant of options, the options which would vest at the next anniversary date of such grant will be deemed to have vested. If termination occurs during the *third year or later* after a grant of options, the options which would vest at the next 2 anniversary dates of such grant will be deemed to have vested.	exercisable within a period of 30 days after the termination date, or such longer period as determined by the Board provided that such period is the earlier of (i) the expiry date of the options, and (ii) 12 months following the date of death.		exercisable within a period of 30 days after the termination date or such longer period as determined by the Board provided that such period is the earlier of (i) the expiry date of the options, and (ii) 12 months following the date of termination.
Other	Payment of any amounts owed pursuant to the Company's benefit program to the date of termination.	Outplacement services for a period determined at the sole discretion of the Company. *Within first 5 years of employment*: • Continued coverage under ETC's benefits program for the earlier of 12 months or re-employment. *After 5 years of employment:* • Continued coverage under ETC's benefits program for a period of 13 months plus one additional month for each year of employment to a maximum of 24 months.	Payment of any amounts owed pursuant to ETC's benefits program to the date of death.	If change occurs within first 2 years of employment: Outplacement services for a period determined at the sole discretion of the Company. *Within first 5 years of employment*: • Continued coverage under ETC's benefits program for the earlier of 12 months or re-employment. *After 5 years of employment:* • Continued coverage under ETC's benefit program for 13 months plus one additional month for each year of employment to a maximum of 24 months.	Upon giving thirty (30) days prior written notice, entitled to continued benefit coverage until the end of the thirty (30) day period.

Termination and Change of Control Benefits

The following table shows the estimated incremental payments that would be paid to each NEO, except Mr. Ayanoglou whose employment with the Company ceased as of September 12, 2011, following the termination of their employment or change of control, assuming the triggering event took place on December 31, 2011:

Event	Andrew Moor ($)	William Edmunds ($)	Ronald Tratch ($)	David Downie ($)
Termination with Cause				
• Severance	0	0	0	0
• Options(2)	319,500	123,135	0	152,550
• Other(3)	113,872(1)	965	2,423	4,385
Termination without Cause				
• Severance(4)	1,490,539(7)	405,000	32,308	32,077
• Options	442,400(5)	201,875	0	152,550
• Other(3)	Nil	965	2,423	4,385
Change of Control				
• Severance	113,872(1)	0	0	0
• Options(6)	614,500	221,975	0	265,950
• Other(3)	0	965	2,423	4,385
Termination as a Result of Death				
• Severance(4)	519,706	0	0	0
• Options	319,500	123,135	0	152,550
• Other(3)	0	965	2,423	4,385

(1) Includes the remaining deferred portion of the 2010 performance bonus calculated in accordance with Mr. Moor's Employment Agreement as amended by the Amendment.

(2) Includes amount of vested options held by the NEO as at December 31, 2011. The value of the options is the difference between the closing price of the common shares on December 31, 2011 on the TSX ($25.00) and the exercise price of the Option.

(3) Includes accrued and outstanding vacation pay to the date of termination/change of ownership or control of Company. It does not include payments required under ETC's benefits program as such amounts are not determinable.

(4) Includes 2011 base salary and average performance bonus for NEO's period of employment. Mr. Moor's severance includes the deferred portion of the performance bonus granted on December 10, 2010 calculated in accordance with Mr. Moor's Employment Agreement.

(5) Includes all vested Options together with all unvested Options that would vest on the next anniversary date of the grant would be exercisable.

(6) Under the terms of the Option Plan, all unvested Options held become immediately exercisable upon a change of control. The value of the Options is the difference between the closing price of the common shares on December 31, 2011 on the TSX ($25.00) and the exercise price of the Options.

(7) Includes average performance bonus for past 3 years.

DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES

The Company and the Board recognize that sound corporate governance practices contribute to the effective management of the Company, the achievement of strategic and operational plans and objectives, and to the protection of its employees and shareholders. The Company's approach to corporate governance has been and continues to be in compliance with applicable Canadian securities legislation. The Corporate Governance Committee regularly reviews our corporate governance practices with a view to continually improving them and comparing them with evolving practices, changing circumstances and our needs.

Board of Directors

Independence

The independence of the Company's directors is determined annually by the Board on the recommendation of the Corporate Governance Committee. The Board uses the definition of independence as set out in National Instrument 52-110 – *Audit Committees* and National Policy 58-201 – *Corporate Governance Guidelines*. This definition is also used to assess the independence of any new director appointed or nominated to the Board. All directors annually complete a detailed questionnaire about their individual circumstances. The Corporate Governance Committee reviews all information provided to determine if a director has a material relationship with the Company which could reasonably be expected to interfere with the exercise of independent judgment. The Board has affirmatively determined that 10 of the 11 nominees standing for election to the Board on May 15, 2012 have no material relationship with the Company and are, in their opinion, independent. Mr. Moor is not independent as he is the Company's CEO.

Independent Advisors

Pursuant to their mandates, the Board and each of its Committees may engage their own independent advisor.

In Camera Board Meetings

The independent directors hold *in camera* sessions at which members of management are not in attendance before or after each regularly scheduled Board meeting and is a regular item on Board agendas. In 2011 the Board held six in camera sessions. With the exception of Equitable Trust's Investment Committee, Board Committees are composed entirely of independent directors. The Audit Committee holds *in camera* sessions of the committee members as well as *in camera* sessions with each of the External Auditor, the Director of Internal Audit, the Chief Compliance Officer and the Chief Anti-Money Laundering Officer. Similarly, the HRC Committee holds *in camera* sessions without management present. Each year, members of the Board attend an off-site all-day strategy session with management to discuss and approve the Company's strategic plan. Also in 2011 the Board held a mid-year strategy session to discuss the Company's strategic opportunities and the strategic planning process.

Independent Chair

The Chairman of the Board is a non-executive director and has been affirmatively determined by the Board to be independent.

The Board annually reviews and approves the mandate for the non-executive Chairman of the Board whose responsibilities include, but are not limited to, providing leadership to the Board, enhancing Board effectiveness and promoting a culture of integrity and compliance throughout the Company, approving the agendas for all Board meetings, presiding at all Board meetings and sessions of the independent directors, participating in director recruitment, orientation, continuing education and regular evaluations of the Board, and ensuring the provision of timely and accurate information to directors.

Board Mandate

The mandate of the Board sets out the Board's role, duties and responsibilities. Such duties include approving the Company's strategic plan, corporate financial objectives and operating budgets, overseeing risk management, ensuring a culture of integrity and compliance is promoted throughout the Company, and approving the President and CEO's targets and compensation as well as the compensation of select members of the executive team. The mandate is annually reviewed by the Corporate Governance Committee and approved by the Board. A copy of the Board mandate is attached to this Circular as Schedule "A". The mandate is also available on our website at www.equitabletrust.com under Corporate Governance.

Risk Management

The Company's approach for identifying, analyzing, responding to and managing its risks is set out in its enterprise risk management ("ERM") framework. The Board approves the ERM Policy together with the Company's overall risk philosophy and the risk appetite statement. In 2011 the Board established a Risk and Capital Committee which is responsible for obtaining reasonable assurance that the Company is maintaining an effective enterprise risk management program (the "ERM Program") and that it is appropriately and adequately monitoring and mitigating its risks in accordance with the Company's program. In addition to this Committee, both the Audit Committee and the Investment Committee of the Board are responsible for monitoring the Company's principal risks discussed in the Company's Management Discussion and Analysis for the year ended December 31, 2011. The Audit Committee also receives quarterly reports on the Company's internal controls from the Director of Internal Audit, and on the Company's compliance processes from the Chief Compliance Officer.

Current and emerging risks are continually monitored by senior management through the Enterprise Risk Management Committee (the "ERM Committee") which provides oversight and direction for the implementation and application of the ERM Program. On a regular basis the ERM Committee meets and reviews the Company's principal and emerging risks and ensures that the appropriate systems, policies and programs are in place to mitigate such risks. The Chief Risk Officer is responsible for providing adequate reporting to the Board and the Risk and Capital Committee.

Strategic Planning

The Company's strategic and capital plans, capital budget and annual corporate objectives are approved by the Board. Directors also receive quarterly updates on the progress of each line of business. The Board holds an annual off-site meeting devoted to strategic planning and, starting in 2011, held a special meeting at mid-year for the purpose of discussing the approach to developing the strategic plan. Discussion at these meetings focuses on the main risks facing the Company's business, strategic issues, competitive developments and corporate opportunities.

Position Descriptions

The Board has developed mandates for the non-executive Chairman of the Board and the CEO, and position descriptions for each Committee Chair and individual directors. All are reviewed and approved on an annual basis.

Director Orientation and Continuing Education

Orientation

The Corporate Governance Committee oversees the orientation of new directors to ensure they fully understand the role of the Board, its committees and their responsibilities as directors. New directors meet with the Chairman of the Board to discuss Board processes and dynamics and the governance framework, and with the CEO and other members of the senior management team to discuss Company strategy, performance, organization structure, the regulatory framework and other issues facing the Company. New directors are also provided with orientation materials consisting of the Board's mandate, Committee mandates, compliance requirements for directors, corporate policies, minutes from recent Board and Committee meetings, the Code of Business Conduct, and other relevant corporate and business information concerning the Company. New directors are also invited to attend meetings of each Board Committee.

Continuing Education

Directors are kept informed of new and changing regulations and on matters which may impact the Company's operations through reports presented at the quarterly Board and Committee meetings. Educational reading materials on corporate governance, executive compensation and other topics are also included in the material provided to the Board. The CEO provides quarterly updates to the Board on strategy and other matters affecting the Company. See *Continuing Education* on page 17 for the list of sessions our directors attended in 2011.

Ethical Business Conduct

In accordance with the Board's mandate, the Board, together with the CEO, are responsible for promoting a culture of integrity and ethical behaviour.

All directors, officers and employees of the Company are held to the same standard of conduct. In 2011 the Company revised its Code of Business Conduct (the "Code") to more appropriately reflect the Company's culture, reinforce our standards of integrity and ethical conduct and to present it in a format that is more easily understood. The Code addresses several matters, including conflicts of interest, confidentiality of corporate information, protection and use of corporate assets, compliance with laws and reporting of any illegal or unethical behaviour. The Code is regularly reviewed by the Board to ensure it meets current industry trends and standards and clearly communicates the Company values. A copy of the Code is accessible on SEDAR at www.sedar.com and on our website at www.equitabletrust.com. A copy of the Code may also be obtained by contacting the Corporate Secretary at the address set out on page 55 of this Circular.

The Code is provided to all employees at the time of hire, and to all directors upon joining the Board. Each year all directors and employees are required to acknowledge that they have read, understand and complied with the Code. The Company conducts an annual certification process to monitor compliance with the Code and the Chief Compliance Officer reports the results of such process to the Corporate Governance Committee annually. Any waivers to the Code must be granted by the Board. To date, no waivers of the Code have been requested.

Employees are encouraged to raise any concerns or report any suspected violations with respect to the Code to senior management. In 2011 the Company established a compliance and ethics (whistleblower) hotline that allows directors and employees to report any inappropriate business conduct or workplace issue on a confidential and anonymous basis. All concerns raised are investigated and reported to the Audit Committee by the Chief Compliance Officer.

Conflicts of Interest

Under the Code and in accordance with the Conflict of Interest Policy, all directors are expected to avoid situations where personal interests conflict or could reasonably appear to conflict with their fiduciary duties to the Company. The Code further provides that each director must disclose in writing to the Company the nature and extent of any actual or potential conflict of interest. In addition, any director who is party to an actual or potential material contract or transaction with the Company, or has a material interest in any person who is a party to an actual or potential material contract or transaction with the Company, is not permitted to attend any part of a meeting of the directors during which the contract or transaction is discussed or to vote on any decision. Through the annual director's questionnaires, directors are asked questions with a view to determine the existence of any material interests with the Company and to identify other business relationships and other companies or entities with which they have relationships. These responses assist the Board and senior management in identifying conflict of interest situations in advance.

Nomination of Directors

The Corporate Governance Committee is responsible for identifying and considering prospective candidates to be appointed to the Board. The Committee maintains a matrix setting out the desired skills and competencies the Board should possess in order to fulfill its many responsibilities such as risk management, board experience, industry knowledge and senior executive experience in a financial services company. The Committee identifies any gaps in the Board's composition and may seek candidates to fill such gaps. The matrix is reviewed annually and updated as appropriate to ensure the Board has the appropriate mix of skills and expertise/experience in order to meet its current and long-term needs.

The Committee invites suggestions for potential candidates from other directors and senior officers. In making recommendations to the Board, the Committee considers (i) the competencies and skills considered necessary for the Board, as a whole, to possess, (ii) the competencies and skills of each existing director, and (iii) the appropriate size of the Board to ensure it meets the demands of Board and Committee work. Potential candidates are first interviewed by the Chairman of the Board and the President and CEO to assess suitability and discuss his or her interest and ability to devote the time required to serve on the Board. The preferred candidates are evaluated by the Committee who considers each candidate's skills, experience, competencies, integrity, independence, any conflicts of interest, results of background checks and behavioural qualities. The Committee will then make a recommendation to the Board on the candidates for nomination to the Board of Directors.

Compensation

The Corporate Governance Committee, which is composed of four independent directors, is charged with the responsibility for (i) reviewing and benchmarking director compensation to ensure it is competitive and adequately reflects the responsibilities and risks involved in being an effective director and (ii) making recommendations to the Board regarding the adequacy and form of compensation for its independent directors. The Committee has the authority to retain any compensation consultant to assist in determining Board compensation. More detailed disclosure of director compensation is provided in this Circular starting at page 18.

Equitable Trust's HRC Committee has the responsibility for overseeing executive compensation, including that of the CEO, with a view to effectively align the Compensation Program with the Company's Compensation philosophy and objectives.

Specific disclosure of Executive Compensation starts on page 23 of this Circular.

Board Committees

The Board has established an Audit Committee, a Risk and Capital Committee, a HRC Committee and a Corporate Governance Committee, all of which are composed entirely of independent directors. Equitable Trust's Board has established the same four Committees and also has an Investment Committee.

Audit Committee

The Audit Committee is composed of three independent directors, each of whom is financially literate as defined under National Instrument 52-110 *Audit Committees*. Current members of the Committee are Eric Kirzner (Chair), Joseph Dickstein and David LeGresley. The Committee meets *in camera* with the External Auditor, the Director of Internal Audit, the Chief Compliance Officer and Chief Anti-Money Laundering Officer.

The Committee is responsible for: (i) overseeing the quality and integrity of the annual and quarterly financial statements; (ii) the performance of the internal audit function; (iii) the qualifications and independence of the external auditors; (iv) the identification and management of the Company's business, control/management, operational, strategic and reputational risks; (v) compliance with legal and regulatory requirements; and (vi) the effectiveness of the Company's internal controls.

Highlights of the Committee's work in 2011 included the following:

- reviewed the interim and annual consolidated financial statements, management's discussion and analysis and the press releases of the Company as well as financial information contained in other documents filed with securities regulatory authorities;
- reviewed the results of the 2010 external audit;
- received updates on the Company's transition to Internal Financial Reporting Standards;
- reviewed and approved a new Disclosure Control Policy;
- reviewed an external quality assessment of internal audit and approved internal audit's mandate, annual work plan and three-year plan;

- reviewed internal audit's periodic reports on its activities, including the assessments of the effectiveness of internal controls;
- reviewed the independence and qualifications of KPMG and recommended their reappointment as the Company's external auditor;
- pre-approved audit and permitted non-audit services performed by KPMG, including terms and fees;
- met regularly *in camera* with KPMG;
- reviewed and approved the mandates of the Chief Compliance Officer and the Chief Anti-Money Laundering Officer;
- reviewed with the Chief Compliance Officer and the Chief Anti-Money Laundering Officer their reports on the Company's compliance with applicable laws and regulations, including anti-money laundering regulations;
- reviewed and approved amendments to the Legislative Compliance Management Policy, Anti-Money Laundering and Anti-Terrorist Financing Policy and Whistleblower Policy;
- reviewed and approved a new Business Continuity Policy;
- received updates on the Company's Business Continuity and Disaster Recovery program;
- met regularly *in camera* with the External Auditor, the Director of Internal Audit, the Chief Compliance Officer and the Chief Anti-Money Laundering Officer;
- received management's assessment the Company's disclosure controls and internal control over financial reporting;
- reviewed the Company's outstanding litigation matters; and
- reviewed its mandate, made recommendations for its amendment to the Board and assessed its performance against its mandate.

Risk and Capital Committee

The Risk and Capital Committee was established in May 2011. The Committee is composed of four independent directors. The members are Austin Beutel (Chair), Eric Beutel (Investment Committee Chair), Eric Kirzner (Audit Committee Chair), and Katherine Rethy (HRC Committee Chair). The Committee is responsible for: (i) reviewing the Company's Core Risks and assessing whether the key risks of the Company have been identified; (ii) reviewing the Company's Risk Appetite and risk tolerance limits established in the context of its risk appetite; (iii) assessing the Company's policies, programs, procedures and controls in place to manage its Core Risks; (iv) reviewing the Company's Internal Capital Adequacy Assessment Process; and (v) identifying and monitoring future trends and emerging risks.

Highlights of the Committee's work in 2011 included the following:

- reviewed and recommended to the Board the mandate for the Committee;
- review and recommended to the Board the Company's policies for Enterprise Risk Management and Operational Risk Management;
- reviewed and approved the mandate for the Enterprise Risk Management Committee and the Chief Risk Officer;
- reviewed reports on the Company's risk management program which include the assessment made by the Enterprise Risk Management Committee of the Company's eight core risks; and
- reviewed results of the Company's enterprise-wide stress testing program.

Investment Committee

The Investment Committee is composed of four directors, three of whom are independent. Members are Eric Beutel (Chair), Andrew Moor, Morris Shohet and Michael Shulman, who replaced Lionel Robins in May 2011.

The Committee is responsible for: (i) reviewing the mortgage portfolio and risk tolerance; (ii) monitoring the Company's credit, interest rate and funding risks, as well as market risks; (iii) reviewing policies for managing these risks and reports demonstrating compliance with the risk management policies; (iv) establishing appropriate lending limits for the Company and the CEO for approval by the Board; (v) reviewing the securities portfolio and monitoring the Company's investment practices; and (vi) reviewing the collective allowance.

Highlights of the Committee's work in 2011 included the following:

- reviewed detailed reports on the amount, nature, characteristics, concentration and quality of the Company's mortgage portfolio and any significant exposures to credit risk, allowances for credit losses, various stress test reports, the Company's liquidity position and treasury activities;
- reviewed and recommended lending limits for management and approved loans in excess of those limits;
- reviewed the collective allowance methodology and the adequacy of the allowance for credit losses;
- reviewed the Company's policies for managing credit risk, liquidity risk, interest rate risk, derivatives and pledging;
- assessed the Company's credit, liquidity and funding and interest rate risk profiles and the liquidity contingency plan;
- reviewed and recommended for Board approval the Company's policies for Liquidity and Funding Risk, Interest Rate Risk, General Investment and Lending, Derivatives, Pledging and Securities Portfolio Management;
- monitored the Company's securities portfolio and developments in market conditions; and
- reviewed its mandate, made recommendations for its amendment to the Board and assessed its performance against its mandate.

Human Resources and Compensation Committee

The HRC Committee is composed of three independent directors; namely, Katherine Rethy (Chair), Lynn McDonald and Lionel Robins. The Committee is responsible for: (i) reviewing the CEO's corporate goals and objectives, evaluating his performance in light of those corporate goals and objectives and recommending his compensation based on this evaluation; (ii) reviewing the performance of the Company's officers and CEO direct reports and approving their compensation; (iii) overseeing the compensation and human resources principles and related program and policies; (iv) recommending the appointment of officers; (v) reviewing executive employment agreements and (vi) reviewing succession planning for senior management. The Committee also has the power to retain consultants or advisors as it may deem necessary or advisable to carry out its responsibilities.

In addition to the highlights of the Committee's work in 2011 set out in the *Compensation Discussion and Analysis* section starting on page 23, the Committee did the following:

- reviewed the share ownership requirement for the CEO;
- reviewed and recommended for Board approval a 0.5% increase in the Company's contribution to the Deferred Profit Sharing Plan;
- reviewed the framework for the ESPP and amendments to the Option Plan;
- reviewed the senior management succession plan, including emergency succession;
- reviewed the employment agreement for the new Chief Financial Officer prior to his appointment on January 3, 2012;
- monitored compensation and governance trends and legislative and disclosure requirements; and
- reviewed its mandate.

Corporate Governance Committee

The Corporate Governance Committee is composed of four independent directors. Current members of the Committee are Joseph Dickstein (Chair), Lionel Robins, Morris Shohet, and Michael Shulman. The Committee is responsible for: (i) reviewing the mandates of the Board, the non-executive chair, the committee chairs and the CEO; (ii) identifying candidates qualified to become directors; (iii) reviewing the appropriateness of director compensation; director orientation and continuing education programs; (iv) reviewing policies designed to promote a culture of integrity and ethical conduct; and (v) evaluating overall Board effectiveness and approving this Disclosure of Corporate Governance Practices.

In 2011 the Committee's work included the following:

- reviewed the criteria for selecting new directors, and assessed the competencies and skills of the Board in relation to the Company's circumstances and needs;
- reviewed the Company's orientation and continuing education programs for directors;
- assessed direct and indirect material relationships between each director nominee and the Company;
- reviewed the Board's Mandate and the mandate for this committee;
- reviewed position descriptions of the Board Chair, Committee Chairs, the CEO and individual directors;
- reviewed and recommended changes to board committee composition;
- reviewed and recommend for Board approval a new Code, a Customer Complaint Handling Policy, a Related Party Transactions Policy, and Privacy Policy;
- received a report on compliance with the Code;
- recommended changes to director compensation and the award value of DSUs to each independent director upon his or her election to the Board;
- reviewed the process for evaluating the Board and individual directors;
- reviewed the Company's related party transactions;
- approved the Company's corporate governance practices disclosure included in this Circular; and
- assessed the Committee's performance against its mandate.

The Committee mandates are available on the Company's website at www.equitabletrust.com.

Board Performance Assessments

The Corporate Governance Committee is responsible for overseeing the process for evaluating the effectiveness and performance of the Board as a whole, the Committees and the Board Chair. The process consists of a feedback survey and one-on-one interviews with the Board Chair. The survey includes questions seeking the directors' views on the effectiveness and performance of the Board, the Board significant achievements made during the year, areas in which the directors would like to receive training to enhance their knowledge and/or effectiveness, and what they consider to be their objectives for the next year. The directors' specific views on their evaluation of the Board's role in strategic planning, director compensation and CEO evaluation is also sought. A summary of the response is prepared and submitted to the Committee and to the Board, including a tabulation of the scores, and qualitative commentary. In addition, the Board Chair meets with each director to discuss their views about the effectiveness of the Board and its committees, management, their personal contribution and the overall workings of the Board. Directors are free to raise any concerns they may have to the Board Chair at any time.

The Board reviews the summary report at the December strategic planning meeting. Any required changes to Board and committee processes are considered by the Board and feedback is provided to Senior Management as appropriate. The results of the 2011 assessment were discussed with the Board in December, 2011 and with the Corporate Governance Committee in February 2012. The identified areas for further training were provided to Management who prepared an annual schedule. In addition to reviewing the summary report, the Committee also assesses the Company's response to any issues raised in the previous year's survey.

OTHER INFORMATION

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

As at the date of this Circular, there was no outstanding indebtedness to the Company or Equitable Trust incurred by any current or former director, executive officer, employee or proposed nominee for election as a director of the Company in connection with the purchase of securities of the Company or any other indebtedness. There was no outstanding indebtedness incurred by any of such individuals to another entity that was the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or Equitable Trust.

DIRECTORS' AND OFFICERS' INSURANCE

The Company has purchased director and officer liability insurance. The limit of such insurance, which expires on May 31, 2012, is $20 million. The deductible is $200,000 per event. For the year ending May 31, 2012, the premium for such coverage was $149,880.

AVAILABILITY OF DOCUMENTS

Additional information relating to the Company can be obtained from its website at www.equitabletrust.com or on SEDAR at www.sedar.com. Financial information is provided in the Company's Consolidated Financial Statements and Management's Discussion and Analysis for the year ended December 31, 2011, included in the Annual Report.

Copies of the information referred to in this section may be obtained upon request from the Corporate Secretary of the Company at its head office, 30 St. Clair Avenue West, Suite 700, Toronto, Ontario M4V 3A1 or by e-mail at corporatesecretary@equitablegroupinc.com.

DIRECTORS' APPROVAL

The Board has approved the content and mailing of this Circular.

Kimberley Graham
Vice-President, General Counsel and Corporate Secretary
March 28, 2012

Schedule “A”

Board of Directors’ Mandate

A. ROLE

The Board of Directors (the “Board”) is responsible for providing oversight of the management of the business and affairs of the Company.

The Board shall, either directly or through its Committees, be responsible for discharging its responsibilities set out in this Mandate and such other duties as may be necessary or appropriate in order to fulfill its stewardship responsibilities.

B. ACCOUNTABILITIES AND RESPONSIBILITIES

The Board shall directly, or through a Board Committee:

1. **Strategic Planning**

1.1 Oversee the strategic planning process and annually approve a strategic plan taking into account the opportunities and risks of the Company’s business, emerging trends and the competitive environment.

1.2 Oversee the implementation of the strategic plan and monitor its effectiveness.

1.3 Approve the Internal Capital Adequacy Assessment Process.

1.4 Review and approve annual financial and capital plans, including debt/equity issues and major business development initiatives and capital management policies.

1.5 Approve any capital expenditure in excess of $100,000 over the budgeted capital plan.

1.6 Monitor corporate performance against the financial and capital plans.

2. **Risk Management**

2.1 Review and approve the Company’s risk appetite statement and thresholds, and review, with the assistance of the Risk and Capital Committee, management’s assessment of the risk profile and the Company’s performance relative to risk appetite.

2.2 Oversee the effectiveness of the operational risk program.

2.3 Ensure processes are in place to identify the principal business risks and review key policies and practices, particularly in the areas of credit, interest rate, liquidity, operational and reputational, and ensure appropriate systems are implemented to manage these risks.

2.4 Approve the delegation of credit approvals and investment authority to senior management.

2.5 Oversee the implementation of a comprehensive legislative compliance management program.

3. **Regulators**

3.1 Review and discuss with senior management the Company’s response to recommendations and suggestions made by the Office of the Superintendent of Financial Institutions pursuant to their supervisory activities.

3.2 Monitor the Company’s relationship with its regulators.

4. **Internal Controls**

4.1 Oversee the integrity of the Company’s internal controls, including those for financial reporting, management information systems and audit procedures, and receive assurances from the Audit Committee on a regular basis that these systems are designed and operating effectively.

4.2 Ensure there are appropriate oversight functions independent of management.

4.3 Review and approve the financial statements and related disclosures prior to their release.

5. **Committees**

5.1 Establish such committees of the Board, or merge or dispose of any Board Committee as the Board deems advisable.

5.2 Approve the membership and mandates of each Board committee.

6. **Succession Planning and Human Resource Management**

6.1 Appoint the Chief Executive Officer (CEO) and determine the role and responsibilities of the CEO.

6.2 Approve the corporate goals and objectives of the CEO, monitor and assess performance and approve the compensation of the CEO.

6.3 Appoint the officers of the Company, ensuring such officers and other responsible persons have the appropriate qualities and competencies to meet the expectations set by the Board and regulators.

6.4 Review the report of the Human Resources and Compensation Committee of their evaluation of the Named Executive Officers and approve their compensation.

6.5 Take reasonable measures to satisfy itself as to the integrity of the Chief Executive Officer and executive officers and as to their effectiveness in creating a culture of integrity, risk management and compliance throughout the Company.

6.6 Oversee the training, and development of the Chief Executive Officer and all executive officers.

6.7 Approve the Company’s compensation philosophy and the design of the Company’s compensation program; monitor and review the compensation program to ensure it aligns with the Company’s business strategy and operates as intended.

6.8 Establish appropriate structures and procedures to enable the Board to function independently of management.

6.9 Review the succession plan for the Chief Executive Officer and the Chairman of the Board and oversee the succession process for key senior management roles.

7. **Corporate Governance**

7.1 Set the "tone from the top" together with the Chief Executive Officer and establish professional standards and corporate values that promote a culture of integrity, risk awareness and compliance throughout the Company.

7.2 Approve the Company's Code of Business Conduct and such other policies as may be approved by the Board from time to time, monitor compliance with the Code and such policies, and receive reports assuring the Board that the Code and such policies are being adhered to. Approve any waivers from the Code for the benefit of any director or executive officer.

7.3 Review the Company's approach to corporate governance, including its governance principles and guidelines and undertake regular evaluation of the Board, its Committees and individual directors.

7.4 Review annually the form of compensation of directors and mandates for the Board, Board Chair, committee chair and a director.

7.5 Review and approve any significant changes to the Company's organization structure, controls or the independence of key control groups.

8. **Communication and Public Disclosure**

8.1 Oversee the implementation of measures for receiving feedback from the Company's shareholders.

8.2 With the assistance of the Audit Committee, review the Company's Disclosure Control Policy.