

FIRST AMERICAN FINANCIAL CORPORATION  
CORPORATE GOVERNANCE GUIDELINES

The role of the Board of Directors (the “Board”) of First American Financial Corporation (the “Company”) is to maximize long-term shareholder value through the discharge of the directors’ duty of care and duty of loyalty to the Company and its shareholders.

**I. Director Responsibilities**

1. Description of Director Responsibilities

Directors’ responsibilities include the following:

- Overseeing and assisting Company management in the development of sound business strategies.
- Selecting the Chief Executive Officer and other senior officers and reviewing management succession planning.
- Seeing that the Company’s business is conducted with the highest standards of ethical conduct and in conformity with applicable laws and regulations.

A director is expected to spend the time and effort necessary to properly discharge his or her responsibilities. Accordingly, a director is expected to regularly attend meetings of the Board and committees on which the director sits, with the understanding that on occasion a director may be unable to attend a meeting or part of a meeting. A director who is unable to attend is expected to notify the Chairperson of the Board or the Chairperson of the appropriate committee in advance of the meeting. When written materials are distributed to directors a reasonable period of time in advance of Board meetings, directors are expected to review such materials prior to the meeting. In addition, directors are expected to attend the annual meetings of the Company’s shareholders.

Directors are strongly encouraged to attend educational seminars regarding the Company’s business or regarding corporate governance or other issues pertaining to their directorships. The Board will periodically consider whether it is appropriate to institute mandatory continuing education requirements for directors and/or members of certain committees.

2. Code of Ethics and Conduct

The Board has established a Code of Ethics and Conduct pertaining to all employees, officers and directors of the Company, addressing: (i) conflicts of interest; (ii) corporate opportunities; (iii) confidentiality; (iv) fair dealing; (v) protection and proper use of Company assets; (vi) compliance with laws, rules and regulations; (vii) reporting of illegal or unethical behavior; and (viii) such other matters as the Board has deemed appropriate. The Code of Ethics and Conduct shall be posted on the Company’s website. Any waivers of the Code of Ethics and Conduct for directors or executive officers may be made only by the Board or a Board committee, if so

delegated, and must be promptly disclosed to shareholders. The Board, in cooperation with the Nominating and Corporate Governance Committee, shall periodically review the Code of Ethics and Conduct and make any amendments it deems appropriate.

## **II. Selection and Composition of the Board**

### **1. Board Size**

If the size of the Board as specified or permitted under the Company's articles of incorporation and bylaws is variable, then the exact number of directors shall be as determined by a vote of not less than a majority of the Board.

### **2. Lead Director**

The Board shall annually elect a Lead Director by a majority vote of the independent directors. The Lead Director shall be responsible for chairing and coordinating the agenda for the executive non-management sessions of the Board described in Section VII below, and shall act as the principal liaison between the non-management directors as a group and the Chairperson of the Board. In addition, the Lead Director shall provide advice to the Chairperson of the Board with respect to the following: (i) establishing an appropriate schedule for Board meetings; (ii) preparing agendas for the meetings of the Board and its committees; (iii) the retention of consultants who report directly to the Board; (iv) the Nominating and Corporate Governance Committee's oversight and implementation of the Company's corporate governance policies, including the oversight by the chairperson of that committee of the process for recommending revisions to such policies from time to time; and (v) the Compensation Committee's oversight of the implementation of and compliance with the Company's policies and procedures for evaluating and undertaking executive and incentive-based compensation. The Lead Director's name shall be disclosed in the Company's annual proxy statement.

### **3. Majority Independence of the Board**

At least a majority of the members of the Board will be independent directors as independence is defined by the New York Stock Exchange listing standards. The Board has adopted the standards set forth below to assist it in assessing the independence of directors.

### **4. Independent Key Committees**

All of the members of the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee of the Board will be independent directors.

### **5. Standards for Determining Whether a Member of the Board is Independent**

The Board shall affirmatively determine whether a particular director is independent of the Company and its management. In making such a determination, no member of the Board will be considered independent who:

*Employees and other Individuals Receiving Compensation from the Company*

- is or has been within the last three years an employee of the Company or any of its subsidiaries, other than an interim Chairperson, President, chief executive officer or other interim executive officer of the Company or any of its subsidiaries;
- has an immediate family member (as defined in paragraph 9 below) that is or has been within the last three years an executive officer of the Company;
- receives or has received during any twelve month period within the last three years more than \$120,000 in direct compensation from the Company, other than (i) director and committee fees, (ii) pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service) and (iii) compensation for service as an interim Chairperson, President, chief executive officer or other interim executive officer of the Company or any of its subsidiaries;
- has an immediate family member that receives or has received during any twelve month period within the last three years more than \$120,000 in direct compensation from the Company, other than (i) director and committee fees, (ii) pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service) and (iii) compensation for service as an employee of the Company or any of its subsidiaries in a non-executive capacity;

*Auditors*

- is, or has an immediate family member who is, a current partner of a firm that is the Company's internal or external auditor;
- is a current employee of the Company's internal or external auditor;
- has an immediate family member that is a current employee of the Company's internal or external auditor and personally works on the Company's audit;
- was, or has an immediate family member who was, within the last three years a partner or employee of the Company's internal or external auditor and personally worked on the Company's audit within that time;

*Interlocking Directorates*

- is, or has an immediate family member who is, or within the last three years has been, employed as an executive officer of another company where any of the Company's present executive officers at the same time serves or served on that other company's compensation committee;

*Inter-Company Business Relationships*

- is a current employee of another company that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million, or 2% of such other company's consolidated gross revenues;
- has an immediate family member that is a current executive officer of another company that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three

fiscal years, exceeds the greater of \$1 million, or 2% of such other company's consolidated gross revenues;

*Material Relationship*

- otherwise has a material relationship with the Company, as determined in light of the standards set forth in paragraph 6, below; or
- is an officer or material partner, shareholder or member of an organization that has a material relationship with the Company, as determined in light of the standards set forth in paragraph 6, below.

6. Standards for Determining Whether a Relationship with the Company is Material

The Board shall affirmatively determine whether a particular relationship with the Company is material in light of all relevant facts and circumstances.

*Director-Company Relationships*

In making such a determination, a relationship between a director and the Company will not be considered material if:

- excluding any compensation received by the director for service on the Board, any committee of the Board or the board of directors of any subsidiary of the Company, the director receives compensatory fees (for consulting services, professional services or otherwise) from the Company and its subsidiaries which constitute less than 1% of the total annual income of the director;
- the director, together with his or her immediate family members, owns less than 10% of the outstanding common stock of the Company on a fully diluted basis;
- the Company or any of its subsidiaries reimburses the director for costs incurred by the director on behalf of the Company or such subsidiary;
- the Company or any of its subsidiaries provides a product or service to the director at its fair market value or the fair market value less any discounts generally available to all members of the Board and all employees of the Company and its subsidiaries;
- the director serves on the board of directors or equivalent governing body of an organization that has a material relationship with the Company and the director, together with his or her immediate family members, owns less than 5% of the equity interests of such organization;
- the director is a senior officer or similar senior official of a charitable organization, philanthropic organization or other non-profit organization which derives less than the greater of \$1,000,000 or 2% of its annual consolidated gross revenues from the Company, its subsidiaries and their officers, taken as a whole;

- the director, together with his or her immediate family members, owns 5% or less of the equity interests of an organization that has a material relationship with the Company;
- the director receives perquisites or benefits from the Company or its subsidiaries with an aggregate fair market value of less than or equal to \$20,000 in any given fiscal year; or
- the director receives perquisites or benefits from the Company or its subsidiaries but subsequently reimburses the Company or applicable subsidiary for the fair market value of the perquisites or benefits received.

In making such a determination, a relationship between a director and the Company will be considered material if:

- the director provides, or within the last three years has provided, investment banking, non-audit accounting, actuarial or legal services to the Company;
- the director writes, or within the last three years has written, research reports regarding the Company or its securities for delivery to investors; provided, however, that the provision of any such services by a firm of which the director is not a partner or by a corporation or other entity in which the director owns 5% or less of the equity interests shall not be deemed material;
- the director is an officer of an organization that has a material relationship with the Company; or
- the director, together with his or her immediate family members, owns more than 5% of the equity interests of an organization that has a material relationship with the Company.

#### *Organization-Company Relationships*

In making such a determination, a relationship between an organization and the Company will not be considered material if such organization:

- is engaged in a joint venture with the Company or any of its subsidiaries and (i) such organization derives less than 5% of its annual consolidated gross revenues and less than 10% of its annual consolidated net income (net of minority interest, if applicable) from such joint venture and (ii) the Company derives less than 5% of its annual consolidated gross revenues and less than 10% of its annual consolidated net income (net of minority interest, if applicable) from such joint venture; or
- owns less than 10% of the outstanding common stock of the Company on a fully diluted basis.

In making such a determination, a relationship between an organization and the Company will be considered material if such organization:

- has, or within the last three years has had, an investment banking relationship with the Company or any of its subsidiaries;

- employs a person who writes research reports on the Company or its securities for delivery to investors;
  - has on deposit more than 10% of the total deposits (including escrow deposits) of the Company and its subsidiaries;
  - manages more than 10% of the total investment assets of the Company and its subsidiaries; or
  - receives more than 10% of the total expenditures of the Company and its subsidiaries on legal services.
7. Standards for Determining Whether a Member of the Audit Committee is Independent

In addition to the standards described in paragraphs 5 and 6, above, no member of the Audit Committee shall be considered independent who:

- is an affiliated person of the Company or of any subsidiary of the Company; or
- accepts, directly or indirectly, any consulting, advisory or other compensatory fee, other than compensation for service on the Board, the board of directors of any subsidiary of the Company or their respective committees.

Compensation for purposes of this paragraph 7 does not include remuneration paid by the Company to a director's organization as part of a supplier, customer or other business relationship between the Company and such organization, which relationship the Board has determined to be immaterial pursuant to paragraphs 5 and 6, above. Compensation for purposes of this paragraph 7 includes remuneration paid by the Company to a director's firm for consulting, legal, accounting, investment banking or financial advice, even if the director is not the actual service provider.

8. Standards for Determining Whether a Member of the Compensation Committee is Independent

In addition to the standards described in paragraphs 5 and 6, above, in determining whether a director is considered independent for purposes of serving on the Compensation Committee, the Board must consider all factors specifically relevant to determining whether the director has a relationship to the Company that is material to the director's ability to be independent from management in connection with the duties of a Compensation Committee member, including:

- the source of the director's compensation, including any consulting, advisory or other compensatory fee from the Company; and
- whether the director is affiliated with the Company, any of its subsidiaries, or an affiliate of any of its subsidiaries.

Compensation for purposes of this paragraph 8 includes remuneration paid by the Company to a director's firm for consulting, legal, accounting, investment banking or financial advice, even if the director is not the actual service provider.

9. Definitions

For purposes of the standards contained in paragraphs 5, 6 and 7 above, the following words and phrases have the following meanings:

- “affiliated person” means an affiliate of the Company, as “affiliate” is defined by Rule 10b-18(a)(1) promulgated under the Securities Exchange Act of 1934 (i.e., any person that directly or indirectly controls, is controlled by, or is under common control with, the Company);
- “immediate family member” with respect to a director means a living spouse, parent, child, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law of such director or a resident in such director's house (other than in an employment capacity);
- “officer” has the meaning thereof in Rule 16a-1(f) promulgated under the Securities Exchange Act of 1934; and
- “within the last three years” shall be deemed to be modified by any applicable transition period under Section 303A of the New York Stock Exchange rules.

10. Selection of New Directors

The Nominating and Corporate Governance Committee shall assist the Board by recommending and screening candidates for election as directors. After the screening process is completed, the Board shall nominate an appropriate slate of director candidates for election.

11. Director Orientation

The Board shall establish an orientation process for new directors. The orientation process for new directors shall include providing new directors with pertinent background information and the opportunity to meet with senior management. The Board will periodically review the director orientation process and make any changes it deems necessary or advisable.

**III. Policies Regarding Board Leadership, Resignation, Term Limits, Retirement**

1. Chairperson of the Board and Chief Executive Officer

The Chairperson of the Board, who may also be an officer of the Company, including the Chief Executive Officer, shall be a director and shall preside at all meetings of the Board and meetings of the shareholders. The director who is appointed Chairperson of the Board is appointed on an annual basis by at least a majority vote of the remaining directors. The Chairperson of the Board shall consult on at least a quarterly basis with the Company's officers who are responsible for the

implementation of and compliance with corporate and securities laws and shall make any recommendations for further action as necessary to further the Company's compliance therewith.

The Chief Executive Officer, who may also be the Chairperson of the Board, shall be a director and, in the absence or inability to act of the Chairperson of the Board, shall preside at all meetings of the Board and meetings of the shareholders. The director who is appointed Chief Executive Officer will be so appointed on an annual basis by at least a majority vote of the remaining directors.

2. Term of Office and Term Limits

The Board does not believe it appropriate or necessary to limit the number of terms a director may serve.

3. Retirement

No person is eligible for election as a director if on January 1 of the year of the election he or she is age 77 or older.

4. Limitation on Number of Boards on which a Director May Sit

No director of the Company shall serve on the board of directors of more than five public companies, including the Company, unless such director obtains prior approval from the Board. In determining whether to grant such approval, the Board will consider the director or potential director's ability to devote sufficient time to the activities of the Board and the director or potential director's qualifications and contribution or potential contribution to the Board. The foregoing notwithstanding, directors who are serving as employees of public companies may not serve on the board of directors of more than three companies, including the Company, unless such director obtains prior approval from the Board. Service on the boards of subsidiary companies with no publicly traded stock (or that issue only debt), non-profit organizations and private companies is not included in this calculation. Moreover, if a director sits on several mutual fund boards within the same fund family, it will count as one board for purposes of this calculation.

**IV. Board's Interaction with Institutional Investors, Press, Customers, etc.**

Directors receiving inquiries about the Company should interact with press and other third parties only in concurrence with the Chief Executive Officer or his designee.

**V. Annual Self-Evaluation of the Board**

To increase the effectiveness of the Board and its committees, the Board shall conduct an annual self-evaluation. Individual directors shall be evaluated based on attendance, preparedness, participation, candor and any other valid measure of performance selected by the Board.



## **VI. Director Compensation**

Directors (other than those who also are salaried officers of the Company or any of its subsidiaries) are entitled to receive reasonable compensation for their services, in such form and amount as may be determined from time to time by the Board, as well as reimbursement of expenses. In determining what constitutes reasonable compensation for these purposes, the Board shall take into account market practices for comparable companies. The Board shall from time to time as it may deem necessary review its method of determining director compensation.

## **VII. Board Meetings**

### **1. Agenda Items**

Agenda items shall be designated by the Chairperson in consultation with other Board members, the Chief Executive Officer, management, shareholders, or others as determined by the Chairperson.

### **2. Executive Sessions of Non-Management Directors**

The non-management directors will meet in executive session on a regularly scheduled basis. If the non-management directors include directors who are not independent, the independent directors will meet in executive session at least annually. Executive Sessions shall be chaired by the Lead Director.

## **VIII. Board Relationship To Senior Management and Outside Advisors**

### **1. Attendance of Non-Directors At Board Meetings**

The Board welcomes Company management to attend, from time to time, Board meetings, thereby providing certain expertise and/or insight into items that may be open for discussion. The Board, in its sole discretion, also welcomes outside advisors to attend Board Meetings. Reasonable compensation may be paid to any person attending a Board meeting, as determined by the Board in its sole discretion.

### **2. Board Access to Senior Management and Outside Advisors**

Board members shall have complete access to the Company's management (nevertheless seeing that such contact does not interfere with the operation of the Company's ordinary business). If such contact is in written form, the Board will provide a copy of such written contact(s) to the Chairperson and the Chief Executive Officer.

The Board and its committees, in their sole discretion, also shall have access to any outside advisors.

## **IX. Stock Ownership**

The Board has established stock ownership guidelines whereby directors are expected to own at least five times their base annual retainer in Company stock within five years of the commencement of their service.

## **X. Succession Planning**

In any Chief Executive Officer succession scenario (whether due to the Chief Executive Officer's disability, death, removal or resignation), the Board shall strive to obtain a timely transition to a qualified successor, including by receiving recommendations of a successor from the outgoing Chief Executive Officer (if available) and from the Nominating and Corporate Governance Committee. Notwithstanding these recommendations, the Board shall make the ultimate decision as to a successor by majority vote. This plan will be reviewed by the Board from time to time as it may deem necessary.

## **XI. Committee Matters**

### **1. Number, Structure and Independence of Committees**

The Board shall appoint on at least an annual basis an Audit Committee, a Nominating and Corporate Governance Committee, a Compensation Committee and such other committees as the Board may deem advisable. The purpose and responsibilities of each of the above-named committees shall be outlined in committee charters adopted by the Board, which charters shall be published on the Company's website together with the Code of Ethics and Conduct and these Corporate Governance Guidelines. The Board may, subject to limitations in the Company's bylaws and any limitations imposed by applicable law, appoint such additional standing or temporary committees from time to time as the directors see fit, delegating to such committees all or part of the Board's powers. The Audit Committee, Nominating and Corporate Governance Committee, and the Compensation Committee shall be comprised entirely of independent directors.

### **2. Compensation of Committee Members**

The members of committees shall receive such fees as the Board may determine to be appropriate. The compensation received by each member of the Audit Committee from the Company shall be specifically limited to (i) director's fees for service as a director of the Company, including reasonable compensation for serving on the Committee or another committee of the Board and regular benefits that other directors receive and (ii) fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Company (provided that such compensation is not contingent in any way on continued service).