



ECHELON FINANCIAL HOLDINGS INC.

**Notice of Annual General Meeting of Shareholders to be held on Tuesday August 6, 2019**

**AND**

**Management Information Circular**

**July 2, 2019**

in respect of the financial year ended December 31, 2018

# ECHELON FINANCIAL HOLDINGS INC.

## Notice of Annual General Meeting of Shareholders July 2, 2019

Notice is hereby given that the annual general meeting of the holders of common shares of Echelon Financial Holdings Inc. (the "Corporation") will be held at Cassels Brock & Blackwell LLP, 40 King Street West, Suite 2100, Toronto, Ontario, on August 6, 2019 at 2:00 p.m. (Toronto time) for the following purposes:

1. to receive the Corporation's Annual Report which contains the audited consolidated financial statements as at and for the financial year ended December 31, 2018, and the auditors' report thereon;
2. to elect Directors;
3. to re-appoint auditors and to authorize the Board of Directors to fix their remuneration;
4. to transact such other business as may properly come before the meeting or any adjournment thereof.

The specific details of the foregoing matters to be put before the meeting are set forth in the Management Information Circular accompanying this Notice of Meeting.

Shareholders are invited to attend the meeting. *Registered shareholders* who are unable to attend the meeting in person are requested to complete, date and sign the enclosed form of proxy and send it in the enclosed envelope or otherwise to the Secretary of the Corporation c/o Computershare Investor Services Inc., 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, telephone number 1-800-564-6253, fax number 1-866-249-7775 or 416-263-9524 or to the Secretary of the Corporation at the Corporation's registered office, which is located at 200 – 2800 Skymark Avenue, Mississauga, Ontario, L4W 5A6. *Non-registered shareholders* who receive these materials through their broker or other intermediary should complete and send the voting instruction form in accordance with the instructions provided by their broker or intermediary. To be effective, a proxy must be received by Computershare Investor Services Inc. or the Secretary of the Corporation not later than 2:00 p.m. (Toronto time) on August 1, 2019, or in the case of any adjournment of the meeting, not less than 48 hours, Saturdays, Sundays and holidays excepted, prior to the time of the adjournment.

DATED the 2nd day of July, 2019.

By Order of the Board of Directors

(Signed) Teddy Chien  
Secretary

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# ECHELON FINANCIAL HOLDINGS INC.

Management Information Circular  
for the Annual General Meeting of Shareholders  
Tuesday, August 6, 2019

## 1 - VOTING INFORMATION FOR PROXIES

### Solicitation of Proxies

This Management Information Circular (the “Circular”) is furnished in connection with the solicitation, by or on behalf of the management of Echelon Financial Holdings Inc. (the “Corporation”), of proxies to be used at the Corporation’s annual general meeting of the holders of common shares (the “Common Shares”) to be held on Tuesday, August 6, 2019, (the “Meeting”) or at any adjournment thereof. It is expected that the solicitation will be primarily by mail, but proxies may also be solicited personally, by advertisement or by telephone, by directors, officers or employees of the Corporation without special compensation, or by the Corporation’s transfer agent, Computershare Investor Services Inc., at nominal cost. The cost of soliciting will be borne by the Corporation.

### Appointment of Proxyholder

The person(s) designated by management of the Corporation in the enclosed form of proxy are directors or officers of the Corporation. **Each shareholder has the right to appoint as proxyholder a person or company (who need not be a shareholder of the Corporation) other than the person(s) or company(ies) designated by management of the Corporation in the enclosed form of proxy to attend and act on the shareholder’s behalf at the Meeting or at any adjournment thereof.** Such right may be exercised by inserting the name of the person or company in the blank space provided on the enclosed form of proxy or by completing another form of proxy.

In the case of *registered shareholders*, the completed, dated and signed form of proxy should be sent in the enclosed envelope or otherwise to the Secretary of the Corporation, c/o Computershare Investor Services Inc., 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, telephone number 1-800-564-6253, fax number 866-249-7775 or 416-263-9524, or to the Secretary of the Corporation at the Corporation’s registered office, which is located at 200 – 2800 Skymark Avenue, Mississauga, Ontario, L4W 5A6. In the case of *non-registered shareholders* who receive these materials through their broker or other intermediary, the shareholder should complete and send the voting instruction form in accordance with the instructions provided by their broker or other intermediary. To be effective, a proxy must be received by Computershare Investor Services Inc. or the Secretary of the Corporation not later than 2:00 p.m. (Toronto time) on August 1, 2019, or in the case of any adjournment of the Meeting, not less than 48 hours, Saturdays, Sundays and holidays excepted, prior to the time of the adjournment.

### Revocation of Proxy

A shareholder who has given a proxy may revoke it by depositing an instrument in writing signed by the shareholder or by the shareholder’s attorney, who is authorized in writing, at the registered office of the Corporation at any time up to and including the last business day preceding the day of the Meeting, or in the case of any adjournment of the Meeting, the last business day preceding the day of the adjournment, or with the Chair of the Meeting on the day of, and prior to the start of, the Meeting or any adjournment thereof. A shareholder may also revoke a proxy in any other manner permitted by law.

### Voting of Proxies

On any ballot that may be called for, the Common Shares represented by a properly executed proxy given in favour of the person(s) designated by management of the Corporation in the enclosed form of proxy will be voted or withheld from voting in accordance with the instructions given on the ballot, and if the shareholder specifies a choice with respect to any matter to be acted upon, the Common Shares will be voted accordingly.

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments to matters identified in the accompanying Notice of Meeting and with respect to other matters which may properly come before the Meeting or any adjournment thereof. As of the date of this Circular, management of the Corporation is not aware of any such amendment or other matter to come before the Meeting. However, if any amendments to matters identified in the accompanying Notice of Meeting or any other matters which are not now known to management should properly come before the Meeting or any adjournment thereof, the Common Shares represented by properly executed proxies given in favour of the person(s) designated by management of the Corporation in the enclosed form of proxy will be voted on such matters pursuant to such discretionary authority.

## Voting Shares

As at July 2, 2019, the Corporation had 12,006,558 Common Shares outstanding, each carrying the right to one vote per share. Except as otherwise noted in this Circular, a simple majority of the votes cast at the Meeting, whether in person, by proxy or otherwise, will constitute approval of any matter submitted to a vote.

## Record Date

The Board of Directors has fixed July 2, 2019, as the record date for the purpose of determining holders of Common Shares entitled to receive notice of and to vote at the Meeting. Any holder of Common Shares of record at the close of business on the record date is entitled to vote the Common Shares registered in such shareholder's name at that date on each matter to be acted upon at the Meeting.

## Principal Shareholders

To the knowledge of the directors and executive officers of the Corporation, as at July 2, 2019, no person beneficially owned, or controls or directs, directly or indirectly, more than 10% of the voting rights attached to the outstanding Common Shares of the Corporation except as stated below.

Name	Aggregate Number of Common Shares	Percentage of Outstanding Common Shares
The Co-operators Group Limited and affiliates	2,027,912	16.89%
Cymbria Corporation	2,423,660	20.19%
Edgepoint Investment Group Inc. <sup>(1)</sup>	1,150,327	9.58%

<sup>(1)</sup> Edgepoint Investment Group Inc. is the manager of and the investment advisor to Cymbria Corporation.

## 2 - GENERAL INFORMATION

On November 8, 2018 the Corporation announced that it had, subject to regulatory approval, sold all of the Corporations' shares in Echelon Insurance and all of its warranty business to CAA Club Group (the "Transaction"). The shares of Echelon Insurance represented approximately 80% of the Corporation's book value. The Transaction closed on May 31, 2019. Following the closing of the Transaction the only assets remaining within the Corporation are its 75% shareholding in the Insurance Company of Prince Edward Island ("ICPEI") and meaningful cash reserves. On June 17, 2019 the Corporation made a Special Distribution of the Transaction proceeds to shareholders. Details of the Transaction and the Special Distribution can be found in the Corporations' press releases and Information Circular dated December 21, 2018, filed on SEDAR.

Unless indicated otherwise, the information contained in this Circular reflects the status and activities of the Corporation post-closing of the Transaction.

## Financial Statements and Auditor's Report

A copy of the Corporation's 2018 annual results have been sent to shareholders who have requested it, and, includes the consolidated financial statements of the Corporation for the year ended December 31, 2018, together with the auditor's report thereon, and Management's Discussion and Analysis of the financial position and results of operations. The annual results are also available in the Financial Reports section of the Corporation's web site [efh.ca](http://efh.ca) and on SEDAR ([www.sedar.com](http://www.sedar.com)).

## Information Incorporated by Reference

This Circular incorporates by reference information disclosed in press releases and the Information Circular dated December 21, 2018, and the Annual Information Form dated March 6, 2019, which are available on SEDAR ([www.sedar.com](http://www.sedar.com)). Such referenced documents, or any excerpt thereof, that are incorporated into this Circular are clearly identified in this Circular. Upon request, the Corporation will promptly provide a copy of the documents free of charge to a shareholder of the Corporation.

## Currency and Timing of Information

Unless indicated otherwise, all amounts are in Canadian dollars.

Unless otherwise indicated, the information contained in the Circular is given as of July 2, 2019.

### 3 - MATTERS TO BE ACTED UPON AT MEETING

#### Election of Directors

The number of directors to be elected at the Meeting is six (6). Under the by-laws of the Corporation, directors of the Corporation are elected annually. Each director will hold office until the next annual meeting or until the successor of such director is duly elected or appointed, unless such office is earlier vacated in accordance with the by-laws.

**In the absence of a contrary instruction, the person(s) designated by management of the Corporation in the enclosed form of proxy intend to VOTE FOR the election as directors of the proposed nominees whose names are set forth below, each of whom has been a director since the date indicated below opposite the proposed nominee's name.** Management does not contemplate that any of the proposed nominees will be unable to serve as a director, but if that should occur for any reason prior to the Meeting, the Common Shares represented by properly executed proxies given in favour of such nominee(s) may be voted by the person(s) designated by management of the Corporation in the enclosed form of proxy, in their discretion, in favour of another nominee.

In August 2015, on the recommendation of the Governance Committee, the Board adopted a Majority Voting policy. The policy requires that in an uncontested election of directors, if any director nominee has more votes withheld than voted in favour of that director nominee, the nominee will immediately tender their resignation, effective on acceptance by the Board, to the Governance Committee. Within 60 days of receiving the tendered resignation the Governance Committee will consider the tendered resignation and make a recommendation to the Board on whether the resignation should be accepted. In considering the tendered resignation the Governance Committee will consider all relevant factors including (i) the reasons, if known, why shareholders "withheld" or were requested to "withhold" votes from the director; (ii) the director's history of service and contribution to the Corporation; (iii) the nominee's qualifications and skills; (iv) the current mix of director skills and attributes on the Board, and (v) legal requirements, policies or guidelines (regulatory, securities or corporate laws or stock exchange rules) for director numbers and qualifications. Within 90 days of receiving the tendered resignation the Board will decide whether to accept or reject the tendered resignation and will announce its decision and the reasons for the decision in a press release. If the Board accepts the resignation, the Governance Committee will make recommendations to the Board on whether the vacancy should be filled and, subject to legal restrictions, when and how the vacancy should be filled.

The following table sets forth information with respect to each person nominated for election as a director, including the number of Common Shares of the Corporation beneficially owned, or controlled or directed, directly or indirectly, by such person or the person's associates or affiliates as at July 2, 2019.

The information as to shares beneficially owned or controlled or directed, not being within the knowledge of the Corporation, has been furnished by the respective proposed nominees individually.

Nominee Name and Place of Residence	Principal Occupation	Director Since	Common Shares
James Falle Ontario, Canada	Corporate Director	May 2017	14,597
Serge Lavoie Quebec, Canada	President and Chief Executive Officer of Corporation	May 2015	54,666
Lee Matheson Ontario, Canada	Partner, Ewing Morris & Co (investment)	January 2018	166,261
Andrew Pastor Ontario, Canada	Portfolio Manager, EdgePoint Investment Group Inc. (investment)	May 2016	3,573,987
Brian Reeve Ontario, Canada	Partner, Financial Services Group & the Corporate and Regulatory Insurance Group, Cassels Brock & Blackwell LLP (law firm)	December 2015	80,000
Murray Wallace Ontario, Canada	Corporate Director	December 2015	35,000

All nominees have held their present principal occupations as set out above during the past five years except for:

Lee Matheson joined Ewing Morris & Co. Investment Partners in May 2017. Prior to joining Ewing Morris, he was a principal of Broadview Capital Management Inc. He has been a security analyst since 2002 working at a number of investment firms including Cundill Investment Research, KJ Harrison & Partners and AIC Investment Services, as well as New York-based Pike Capital Management. Lee holds the Canadian Investment Manager designation from the Canadian Securities Institute and became a CFA charterholder in 2009. Lee also serves on the Boards of Strad Inc. (TSX:SDY) and exactEarth Ltd. (TSX: XCT). He would be an Independent Director as defined in National Instrument 58-101 – *Disclosure of Corporate Governance Practices*.

Murray Wallace retired as Executive Chairman of Financial Horizons Group in August 2017.

*(Note: Five-year employment history is not included for incumbent directors for whom there has been no change since the last circular.)*

No director nominee is, or has been within the preceding 10 years, a director, chief executive officer or chief financial officer of any company that,

- a) Was the subject of an order that was issued while the nominee was acting in the capacity as director, chief executive officer or chief financial officer;
- b) Was subject to an order that was issued after the nominee ceased to be a director, chief executive officer or chief financial officer;
- c) While the nominee was acting as an executive officer or within a year of that person ceasing to act in such 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;

No director nominee has within the preceding 10 years become 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 their assets.

No director nominee has been subject to any penalties or sanctions imposed by a court relating securities legislation or by a securities regulatory authority or by court or other regulatory body that would likely be considered important to a reasonable security holder deciding whether to vote for the nominee.

## Re-appointment of Independent Auditors

PricewaterhouseCoopers LLP are the current auditors of the Corporation. At the Meeting, the holders of Common Shares will be requested to re-appoint PricewaterhouseCoopers LLP as auditors of the Corporation to hold office until the next annual meeting of shareholders or until a successor is appointed, and to authorize the Board of Directors to fix the auditors' remuneration.

Auditor Fees (\$)	2018	2017
Audit fees	775,000	749,000
Audit-related fees	–	–
Tax fees	28,000	28,000
All other fees	256,000	351,000

Information concerning fees paid to PricewaterhouseCoopers LLP for services rendered to the Company during 2018 can be found in the Company's Annual Information Form for the year ended December 31, 2018, dated March 6, 2019 (the "AIF") under the heading "Audit and Risk Committee Information — External Auditor Service Fees", which can be accessed at [www.sedar.com](http://www.sedar.com).

In the absence of a contrary instruction, the person(s) designated by management of the Corporation in the enclosed form of proxy intend to VOTE FOR the re-appointment of PricewaterhouseCoopers LLP as auditors of the Corporation to hold office until the next annual meeting of shareholders or until a successor is appointed and the authorization of the Board of Directors to fix the remuneration of the auditors.

## 4 - EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

Historically, the Corporation's executive officers, otherwise referred to as the Corporation's "Named Executive Officers" or "NEOs" received various forms of compensation including base salary, incentive bonuses, equity grants and various other benefits commensurate with the individuals in similar positions in comparably sized companies. The 2018 compensation for the NEOs is set out below in the *Summary Compensation* table. Brief explanations of the 2018 compensation structure and philosophy is provided below. For the purposes of the Circular, the NEOs are the CEO, CFO and the next three highest compensated officers for the financial year ended December 31, 2018.

Prior to the close of the Transaction, all employees and executives were employed by Echelon Insurance. Following the close of the Transaction, the Corporation has two employees, the Chief Executive Officer, Serge Lavoie and the Chief Financial Officer, Teddy Chien. Both employees are subject to written Employment Agreements that provide for a base salary and certain benefits. The components of Mr. Lavoie's and Mr. Chien's compensation are identified below under the section, *Components of Executive Compensation*.

## Compensation Philosophy and Strategy

The overall objective of the Corporation's compensation program is to align the compensation framework and related decisions with the Corporation's strategies, business plan and financial objectives.

The Corporation's goal is to motivate its employees and executives to focus on the success of the Corporation by establishing a strong link between performance and compensation. At the same time, it makes sure that compensation is in line with market practices, so the Corporation can attract executive talent when it needs to, and focus on retaining highly-qualified and experienced executives who have a proven track record of performance. In addition, variable compensation rewards are linked directly to the results of the Corporation. Performance targets and measures are set each year and represent an improvement in the Corporation's operations. The Corporation's compensation philosophy is reflected in the following principles:

- Reinforce Strategy - The Corporation's compensation programs link executive compensation with the achievement of specific strategic business objectives and balances priorities over the short and long term to meet the Corporation's performance goals.
- Corporate Performance - The Corporation's compensation programs are linked to corporate performance and foster a pay-for-performance culture.
- Shareholder Alignment - The Corporation's compensation programs are designed to align executive and management compensation with shareholder expectations and the enhancement of shareholder value.
- Financial and Risk Management - Align the financial and risk management interests and motivations of the Corporation's management team and employees with the annual financial performance of the Corporation.

The process for determining compensation is intended to be fair and simple so that all employees understand the goals and the outcomes of the process.

## Compensation Governance

The Corporation's compensation governance structure consists of management and Board committees responsible for the Corporation's compensation management policies and programs. The Corporation's compensation governance structure is reviewed regularly against industry best practices and regulatory standards.

The Board is ultimately responsible for oversight and decision-making with respect to the Corporation's executive compensation principles, policies and programs, including the management of compensation risk.

### **Governance Committee**

The Governance Committee assists the Board in carrying out its responsibilities, which include making recommendations on compensation matters. In considering overall compensation the Committee will evaluate the competitiveness of compensation and assess risk associated with the Corporation's compensation policies. The Governance Committee's responsibilities relating to compensation include:

- Overseeing compensation philosophy, discussion and analysis - Reviews the Corporation's compensation policies and programs, particularly against business objectives and strategies, operations and risks to which the Corporation is exposed.
- Approving the structure and wording of all incentive compensation plans including approving the criteria and the aggregate amounts of incentive compensation to be paid. Compensation includes salary, benefits and incentive plans.
- Reviewing and making recommendations to the Board for the implementation, administration and modification of all equity-based compensation programs
- Determining and routinely measuring the annual performance objectives for the CEO and recommending the annual compensation plan of the CEO to the board.
- Reviewing and approving the total compensation of those senior officers of the Corporation that report directly to the CEO.
- Ensuring that the CEO has a process in place for the performance assessment, including business ethics and conduct, of those senior officers that report directly to the CEO.

### **Compensation Aligned with Risk Management Principles**

The Corporation's executive compensation programs are founded on principles that support the management of risk, ensuring management's plans and activities are prudent and focused on generating shareholder value within an effective risk control environment.

The Corporation's compensation design and review process incorporates the following risk management practices:



- Each year an annual business plan is developed and approved by the Board based on the Corporation's risk appetite and is used as a basis for setting performance targets.
- Incentive compensation plans are designed to align with performance and are clearly described and non-discretionary.
- Caps on incentive award payments are incorporated in the compensation plan.

The NEOs and Directors are not permitted to purchase financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, which are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the NEO or Director.

## Compensation Structure and Decision-Making Process

The design of the Corporation's executive compensation programs and practices is based on its Compensation Framework and overseen by the Governance Committee. This framework includes processes for establishing target compensation levels, determining the pay mix and proportion of pay-at-risk, setting performance objectives, evaluating performance and determining total compensation, and ensuring compensation design and payouts appropriately reflect prudent risk.

The Corporation's compensation process starts at the beginning of every year, when it assesses and confirms its philosophy, program guidelines and structure. The target date each year for the completion of the Corporation's performance and compensation process is March 1<sup>st</sup>. The process includes individual performance reviews for each employee including each NEO.

### **Compensation Review Structure**

The Corporation reviews its overall compensation philosophy and structure and recommends any changes to the Governance Committee for review and approval by the Board of Directors.

### **Confirm Peer Group**

The Corporation reviews and confirms the peer group of companies it uses to: (i) compare its compensation structure and levels, and (ii) assess its performance when making compensation decisions.

### **Assess Risk and Confirm Approach**

The Corporation reviews the overall incentive plan design and the selected performance measures to: (i) consider potential payouts under different scenarios, (ii) ensure a balanced approach to risk, and (iii) make sure its decision-making process, incentive plans and compensation governance do not give executives incentive to take excessive risks or make inappropriate decisions.

## Target Compensation

Compensation for the NEOs and other officers is evaluated annually by the Governance Committee based on the program design of corporations that are part of its compensation comparator group to ensure the Corporation's compensation programs remain market competitive. The Corporation obtains market information from a number of external consulting firms, including Willis Towers Watson, Korn Ferry, Hay Group, Mercer, Morneau Shepell and Hewitt.

An individual executive's compensation is established after considering the following factors:

- Median compensation for similar roles and role levels in the market.
- The Corporation's performance against financial measures, including book value per share, underwriting profit and gross written premiums.
- The Corporation's performance relative to goals approved by the Governance Committee.
- Individual performance versus personal goals and contributions to the Corporation's performance.
- Business climate, economic conditions, and other factors.

After an analysis of these factors, the Governance Committee develops compensation recommendations for the CEO to be considered by the Board of Directors. The CEO develops compensation recommendations for the other NEOs and corporate executives and presents them to the Governance Committee. The Governance Committee then sets NEO and corporate executive compensation after considering the recommendations of the CEO, as well as other relevant market and industry data.

In 2017, the Corporation engaged an external compensation consultant, Willis Towers Watson, to undertake an independent review of executive compensation relative to our peer group and to ensure that the Corporation's compensation program is competitive with the market and consistent with good governance practices.

## The Compensation Comparator Group

The Corporation has generally benchmarked executive compensation target levels with reference to the median of comparable executive roles at the corporations forming part of its compensation comparator group. To evaluate the current executive compensation versus the competitive market, the Corporation reviews, for reference purposes, the compensation of executives in comparable positions at corporations that are either in a similar line of business or are otherwise comparable for purposes of recruiting and retaining individuals with the requisite skills and capabilities. Individual targets may be established above or below the median of this compensation comparator group based on an executive's knowledge, experience and performance track record. Other considerations in establishing the target compensation levels include determining which corporations are to be included in the comparator group. Our process when developing the comparator group examines several criteria, including the (1) industry filter: competitors for market share; (2) size filter: revenue size, operational scope, market capitalization, and profitability, and (3) qualitative filter: competitors for talent and companies with similar business strategy, operations and financial profile. Also relevant is the selection of companies for which high-quality, reliable and consistent compensation data is available.

The comparator group is reviewed, evaluated and updated annually to ensure the corporations in the group remain relevant. This group of approximately 8 companies is referred to as the comparator group. In 2017, the composition of the comparator group was reviewed and discussed with the Governance Committee and with external compensation consultants, Willis Towers Watson. In 2018, there were no changes to the comparator group.

The comparator group is currently comprised of the following companies:

Economical Mutual Insurance Company	Genworth Financial, Inc.	The Allstate Corporation
Intact Financial Corporation	Home Capital Group Inc.	Gore Mutual Insurance Company
Element Financial Corporation	Cooperators General	

In cases where the Corporation is not able to use the comparator group as a reference for compensation for some of the NEOs, it uses data from alternative, widely-used survey sources for financial services corporations.

## Setting Performance Objectives

At the beginning of the fiscal year, the Board establishes performance objectives for the CEO based on the strategic, financial, and operational objectives of the Corporation. The CEO establishes objectives for each member of the executive group, based on the same categories, and which reflect each member's specific roles and responsibilities.

## Summary Compensation

The following table sets out information concerning the compensation earned from the Corporation and any of the Corporation's subsidiaries during the three most recently completed financial years, by the Corporation's Chief Executive Officer, Chief Financial Officer and the Corporation's other three most highly-compensated executive officers (the "NEOs").

Name and Principal Position	Year	Salary (\$)	Share-Based Awards (\$)	Option-Based Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	All Other Compensation (\$)	Total Compensation (\$)
Serge Lavoie President & Chief Executive Officer	2018	408,692	410,005	—	138,223	27,531	984,451
	2017	394,923	356,810	238,172	125,000	19,746	1,134,651
	2016	340,819	232,925	—	19,150	30,374	623,268
Alvin Sharma Chief Financial Officer <sup>(1)</sup>	2018	244,004	—	—	79,267	12,200	335,471
	2017	283,096	126,011	89,314	104,960	14,155	617,536
	2016	262,077	66,550	—	94,026	26,101	448,754
Patrick Espeut Interim Chief Financial Officer <sup>(2)</sup>	2018	143,042	21,526	—	49,445	7,152	221,165
	2017	138,210	11,054	—	41,041	6,910	197,215
	2016	125,969	25,420	—	26,558	6,298	184,245
Ken Coulson Vice President & General Counsel	2018	255,433	115,314	—	68,557	12,032	451,336
	2017	244,847	117,720	59,543	84,432	12,242	518,784
	2016	206,877	46,585	—	79,238	10,344	343,044

## Summary Compensation Continued

Name and Principal Position	Year	Salary (\$)	Share-Based Awards (\$)	Option-Based Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	All Other Compensation (\$)	Total Compensation (\$)
Eric Millaire-Morin Chief Actuary <sup>(3)</sup>	2018	232,385	82,251	—	25,629	11,619	351,884
	2017	77,423	16,625	—	22,500	3,308	119,856
	2016	—	—	—	—	—	—
Joe Colby Vice President, Claims <sup>(3)</sup>	2018	226,956	79,531	—	13,630	11,348	331,464
	2017	64,904	26,600	—	30,000	3,029	124,533
	2016	—	—	—	—	—	—

<sup>(1)</sup> Alvin Sharma resigned effective September 8, 2018. The table reflects the compensation received by Mr. Sharma up to his resignation.

<sup>(2)</sup> Patrick Espeut served as interim Chief Financial Officer from October 2018 to December 2018.

<sup>(3)</sup> Joined the Echelon Insurance in September 2017.

The value for shared-based awards represents the market value of PSUs and RSUs when granted based on the volume-weighted, average trading price of Common Shares on the TSX during the immediately preceding five trading days of the grant date.

The option values shown are the grant date fair values of the stock options issued, and are determined using the Black-Scholes option pricing methodology with the following assumptions: (i) risk-free rate of 1.25%-1.50%; (ii) life expectancy of 2-5 years; and (iii) estimated volatility of 2%-10%. The Corporation considers this methodology appropriate in valuing option grants, and it is a typical market approach to valuing options.

The fair values used are the same as those used by the Corporation in its financial statements which are prepared in accordance with International Financial Reporting Standards.

## Components of Executive Compensation

The executive compensation program applies to all of the Corporation's executives. The program is designed to assist the Corporation in attracting and retaining the best available personnel for positions of substantial responsibility and align their interests with those of the Corporation's shareholders. Each year the Corporation reviews its compensation program to ensure alignment with its compensation philosophy. The Governance Committee also reviews the compensation philosophy on an annual basis.

As part of the 2017 compensation review conducted by the Corporation's external compensation consultant, Willis Towers Watson, the Committee reviewed and considered the compensation mix for executives. As a result of the review, the short- and long-term incentive compensation programs for the CEO, NEOs and senior management were modified to better reflect the Corporation's business strategy and shareholder expectations.

The following components are part of the executive compensation package:

### Base Salary

The base salaries of the Corporation's NEOs are broadly based on salaries for comparable positions in the market. The Corporation's goal is to provide fixed compensation based on the external market as well as internal equity with respect to the role, scope, responsibilities and accountabilities within the Corporation, and the experience and performance of the individual in the role. Base salaries are reviewed annually, and increases are generally granted when an executive assumes greater responsibilities, deepens knowledge and expertise, or when there is a change in the compensation levels of comparable roles in the comparator group. For each of the NEOs and corporate executives, base salaries are consistent with the terms of their respective employment agreements.

Under their respective employment agreements, Mr. Lavoie and Mr. Chien each receive a base salary.

## Short-Term Incentive Plan (STIP)

The STIP is a non-equity incentive plan linking compensation to corporate and individual performance. Corporate performance is focused on key annual financial and corporate goals and priorities tied to the Corporation's strategic business plan. The STIP is intended to enhance shareholder and customer value, reward employees who help the Corporation achieve its business goals, and attract and retain the talented employees necessary for the Corporation's success.

All permanent employees, including executives, participated in the STIP. The 2018 STIP formula for all employees is indicated below:

$$\text{Target Bonus} \times [\text{Combined Operating Ratio (COR)} + \text{GWP Growth} + \text{Organizational Priorities} + \text{Individual Objectives}]$$

The STIP was discontinued following the close of the Transaction, and neither Mr. Lavoie nor Mr. Chien are eligible for a STIP payment.

## Mid-Term Incentive Plan (MTIP)

In 2017, as a result of a compensation review by Willis Towers Watson, the Corporation implemented a new Mid-Term Incentive Plan (MTIP). The MTIP provided a share-based award to members of the senior management team to recognize and incentivize their contribution to a sustained, three-year performance of the Corporation. Under the MTIP, eligible participants received an annual grant of Performance Share Units ("PSUs") pursuant to the Corporation's Executive Share Unit Plan ("ESUP"). PSUs vest in accordance with performance criteria set by the Board.

In accordance with the ESUP, all PSUs vested on the close of the Transaction.

Following the close of the Transaction, the MTIP ended and neither Mr. Lavoie nor Mr. Chien are eligible for any share-based compensation.

## Long-Term Incentive Plan (LTIP)

In 2017, as a result of the compensation review by Willis Towers Watson, the Board of Directors re-activated the Corporation's Stock Option Plan to align the long-term (five year) strategies and interests of the Corporation and its shareholders. In May 2017, the Board of Directors approved a grant of stock options to the CEO and limited members of the executive management team. The stock options grants were conditional upon the Corporation achieving specific book value per share growth over a five-year period.

Prior to the closing of the Transaction, the Board of Directors cancelled all outstanding unvested stock options. Neither Mr. Lavoie nor Mr. Chien are eligible for option-based compensation.

## Other Incentives for Current Executives

Pursuant to his written employment agreement, Mr. Lavoie is entitled to a bonus equal to 100% of his base salary if certain performance targets are met.

## Equity Compensation Plan Information

The following table sets out aggregate information as at December 31, 2018, concerning securities authorized for issuance under equity compensation plans.

<b>Plan Category</b>	<b>Number of Securities to be Issued upon Exercise of Options, Warrants and Rights</b> (a)	<b>Weighted – Average Exercise Price of Outstanding Options, Warrants and Rights</b> (b)	<b>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in (a))</b> (c)
Equity Compensation Plans Approved by Security Holders	551,408	12.32	641,183
Equity Compensation Plans Not Approved by Security Holders	–	–	–
<b>Total</b>	<b>551,408</b>	<b>12.32</b>	<b>641,183</b>

The unallocated number of securities remaining available for future issuance under the Corporation's equity compensation plans must not, together with all securities to be issued under existing grants, exceed 10% of the then issued and outstanding Common Shares on the date of grant. The material features of the Corporation's Stock Option Plan and Executive Share Unit Plan, each of which has been approved by shareholders, are as follows:

### Stock Option Plan

In May 2017, the Corporation revived the Stock Option Plan to re-allow grants of stock options to eligible participants under the plan. Prior to that time, the Corporation had not granted stock options under the plan since January 1, 2014. The Stock Option Plan, as amended on June 1, 2017, remains open for the vesting of options previously granted. The total number of Common Shares issuable under the Stock Option Plan was capped at 1,192,233 representing 10% of the total issued and outstanding Common Shares from time to time (on a non-diluted basis), and Common Shares reserved for issuance under employee stock option plans, options for services and employee stock purchase plans.

The total number of Common Shares issued to date under the Stock Option Plan is 1,181,625 Common Shares (being approximately 9.8% of the current issued and outstanding Common Shares). The total number of Common Shares issuable in connection with outstanding, unexercised option grants under the Stock Option Plan as at July 2, 2019, is nil (being approximately 0% of the current issued and outstanding Common Shares). The Corporation had a "burn rate" for the Stock Option Plan for each of fiscal 2018, 2017, 2016 and 2015 of 0%, 2.4%, 0%, and 0%, respectively. "Burn rate" is calculated by dividing the number of options granted during the applicable year by the weighted average number of Common Shares outstanding for the applicable year.

The Corporation grants stock options ("Options") under its Stock Option Plan as a performance incentive and to provide the opportunity for overall compensation of senior management to be above industry-average levels and to increase the mutuality of interests between management and shareholders. The Stock Option Plan is used to provide long-term rewards linked directly to the market value of the Common Shares of the Corporation. The Corporation's Board of Directors is of the view that the Stock Option Plan is in the best interests of the Corporation and permitting continued vesting will assist the Corporation to motivate and retain executives and management employees.

Under the Stock Option Plan, Options to purchase Common Shares are granted to eligible participants (collectively, "Optionees") designated under the Stock Option Plan. Although eligible by its terms, Directors do not participate in the Corporation's Stock Option Plan. Optionees to whom Options are granted, the number of Options to be granted and the exercise price of each Option are determined in accordance with the terms of the Stock Option Plan. The exercise price per Common Share under each Option is determined on the basis of the five-day volume-weighted average trading price of Common Shares on the TSX, or such other stock exchange on which the majority of the trading volume and value of the Common Shares occurs, for the five trading days immediately preceding the relevant effective date of grant. In the event that the Common Shares are not then listed or quoted on a stock exchange, the exercise price will be as otherwise determined in accordance with the Stock Option Plan.

The aggregate number of common shares which may be issued and sold under the Stock Option Plan must not exceed 10% of the total issued and outstanding Common Shares from time to time (on a non-diluted basis), and Common Shares reserved for issuance under employee stock option plans, options for services and employee stock purchase plans.

The maximum number of Common Shares reserved for issuance to any one person upon the exercise of Options is limited to 5% of the total number of Common Shares outstanding at the date of grant. Under the Stock Option Plan and any other security-based compensation arrangement of the Corporation: (i) the number of common shares issuable to insiders, at any time, shall not exceed 10% of the issued and outstanding Common Shares; and (ii) the number of Common Shares issued to insiders, within a one-year period, shall not exceed 10% of the issued and outstanding Common Shares.

The maximum number of Options that may be vested for exercise in any particular year is (i) 20% of the Common Shares granted under the Options, or (ii) such greater percentage of the Common Shares granted under the Options, so long as the cumulative vesting rate per year is not greater than the rate of 20% in any particular year. Each Option will be exercisable over such period as determined at the time of issue. Each Option, unless terminated pursuant to the Stock Option Plan, will expire on a date to be determined in accordance with the Stock Option Plan at the time the Option is granted, which date may not exceed eight years from the date of the grant of the Option. Any Option is personal to the Optionee and is non-assignable.

Options expire and terminate upon the Optionee ceasing to be a Director, officer or a part-time or full-time employee of the Corporation or of any subsidiary, provided that if such cessation is other than for cause, the Optionee may exercise vested Options until the earlier of their expiry date or 90 days after such cessation.

If, before the expiry of the Option, the employment of the Optionee with the Corporation or any subsidiary shall terminate by reason of death of the Optionee, such Option may be exercised by the legal representative(s) of the estate of the Optionee at any time during the first 180 days following the death of the Optionee. Unless otherwise determined by the board, in the event of the retirement of an eligible employee, the options not vested at the time of retirement from the Company will expire and become forfeit. If, before the expiry of the Option, unless otherwise determined by the board, in the event of a permanent disability of an eligible employee, stock options will continue to vest and become exercisable in the normal course.

If at any time when an Option granted under the Stock Option Plan remains unexercised with respect to any optioned shares, (i) a general offer to purchase all of the issued Common Shares of the Corporation is made by a third party; or (ii) the Corporation proposes to sell all or substantially all of its assets or to merge or amalgamate with another company (except a subsidiary of the Corporation) under any circumstances that may involve or require the liquidation of the Corporation, a distribution of its assets among its shareholders, or the termination of the corporate existence, the Corporation shall use its best efforts to give an Optionee 21 days' notice of the effective date of such offer or proposal or otherwise as soon as practicable and (A) the Option may be exercised, as to all or any of the optioned shares in respect of which such Option has not previously been exercised, by an Optionee at any time up to and including a date 30 days following the date of the completion of such sale or prior to the close of business on the expiry date, whichever is earlier; and (B) the Corporation may require the acceleration of the time for the exercise of the Option and the time for the fulfilment of any conditions or restrictions on such exercise.

The Board of Directors may amend or discontinue the Stock Option Plan at any time upon receipt of applicable requisite regulatory and shareholder approval including without limitation, the approval of the TSX, provided, however, no such amendment may increase the maximum number of Common Shares that may be optioned under the Stock Option Plan, change the manner of determining the minimum exercise price or, without the consent of the Optionee, alter or impair any of the terms of any Option previously granted to an Optionee under the Stock Option Plan. Any amendments to the terms of an Option shall also require regulatory approval, including without limitation, the approval of the TSX.

The Stock Option Plan provides that shareholder approval will be required for amendments to: increase the number of shares issuable pursuant to the Stock Option Plan; reduce the subscription price of an outstanding option of an insider; extend the term of any option granted under this Stock Option Plan to an insider beyond the termination date of the option; allow for a maximum term of an option to be greater than 10 years; expand the transferability of options; add to the categories of participants who may be designated for participation in the Stock Option Plan; allow for an option exercise period to commence earlier than the first anniversary of the date of grant, other than in the case of death, disability or a change in control; increase or delete the percentage limits relating to shares issuable or issued to insiders; increase or delete the percentage limit on shares reserved for issuance to any one person; amend the Stock Option Plan to provide for other types of compensation through equity issuance; and any amendment to the amendment provisions of the Stock Option Plan. Subject to the foregoing, the Board of Directors may amend any term or condition of the Stock Option Plan or any option granted other than the items specified as requiring shareholder approval.

## **Executive Share Unit Plan**

The Corporation has established an Executive Share Unit Plan ("ESUP"), effective November 6, 2009, amended on May 5, 2011, November 23, 2011, November 7, 2013, May 5, 2016 and June 1, 2017, under which the Board of Directors may from time to time determine (i) those eligible employees (a "participant") who shall receive a grant of Restricted Share Units ("RSUs") and/or Performance Share Units ("PSUs") (RSUs and PSUs are collectively referred to as "Share Units"), (ii) the number of such Share Units and (iii) the grant date(s) applicable to such Share Units.

The ESUP is intended to provide senior management employees of the Corporation and its subsidiaries with an additional incentive to further the growth and development of the Corporation and encourage them to remain with the Corporation.

The Governance Committee of the Board of Directors administers the ESUP and recommends to the Board of Directors the individual employees to whom grants of Share Units should be made, as well as the amounts and terms of such grants. Directors who are not also employees are not eligible for grants under the ESUP. The selection of participants will be based on the participant's current and potential contribution to the Corporation and the terms of the grants may include performance targets or the achievement of certain collective performance-related criteria, such as the financial performance of the Corporation. Annually, the Board of Directors authorizes a limited number of RSUs to be granted to eligible employees solely at the discretion of the CEO. The terms of any particular grant need not be identical to any other grant, and the Board of Directors may amend, suspend or terminate the terms of any grant, or the terms of the ESUP itself (subject to certain restrictions), without shareholder approval.

Each Share Unit granted under the ESUP will entitle the participant, upon satisfying all applicable vesting criteria, to receive one common share or, at the election of the participant, a cash payment equal to the market value of such share, calculated in accordance with TSX rules, on the date of payment. The grant of a Share Unit will not entitle the participant to exercise any voting rights, receive any dividends or exercise any other right which attaches to ownership of Common Shares. The assignment or transfer of Share Units is not permitted other than by operation of law.

Each grant and the participation of a participant in the ESUP shall be evidenced by a grant agreement between the Corporation and the participant. Each grant agreement shall set forth, at a minimum, the type and grant date of the grant evidenced thereby, the number of RSUs or PSUs subject to such grant, the applicable vesting conditions, the applicable vesting period(s) and performance periods (in the case of PSUs) and the treatment of the grant upon termination. The Board of Directors may determine such other terms and conditions with respect to a grant as are consistent with or required by the terms of the ESUP including (A) the conditions, if any, upon which vesting of any Share Unit will be waived or accelerated; (B) the circumstances upon which a Share Unit may be forfeited, cancelled or expire; (C) the consequences of an employment termination with respect to a Share Unit; (D) the manner of exercise or settlement of vested Share Units, including whether vested Share Units will be settled in cash, shares or a combination of cash and shares; (E) whether the terms upon which any Shares delivered upon exercise or settlement of a Share Unit must continue to be held by a participant for any specified period; and (F) terms or conditions pertaining to confidentiality of information relating to the Corporation's operations or businesses which

must be complied with by a participant, including conditions of the grant or vesting of Share Units. Subject to terms of any Grant Agreement, RSUs vest in the tenth year following the year in which they were granted.

Share Units will become vested at such times, in such instalments and subject to such terms and conditions as may be determined by the Board of Directors and set forth in the applicable grant agreement. The conditions to vesting of RSUs will be based on the participant's continued employment or continued engagement, without regard to the satisfaction of any performance criteria and, in the event that the grant agreement applicable to a grant of RSUs does not specify the time(s) at which such RSUs shall become vested, such RSUs will vest on the third anniversary of the grant date, subject to plan rules.

The conditions to vesting of PSUs will be based on the satisfaction of performance criteria, either alone or in addition to any other vesting conditions, as may be determined by the Board of Directors and may be graduated such that different percentages (which may be greater or less than 100%) of the PSUs in a grant will become vested depending upon the extent to which one or more such conditions are satisfied.

The aggregate number of Common Shares which may be issued by the Corporation under the ESUP is currently limited to 600,000. All Share Units that do not become vested or that otherwise expire, terminate or are cancelled without being settled, will be available for any subsequent Share Units under the ESUP.

As of July 2, 2019, 535,454 Common Shares (being approximately 4.5% of the issued and outstanding Common Shares) have been issued under the ESUP. During 2018 Share Units were granted in respect of 117,323 Common Shares (being approximately 1.0% of the issued and outstanding Common Shares). 64,546 Common Shares remain available for issuance pursuant to future grants under the ESUP (being approximately 0.5% of the issued and outstanding Common Shares). The Corporation had a "burn rate" for the ESUP for each of fiscal 2018, 2017, 2016 and 2015 of 1.0%, 1.1%, 0.6%, and 0.6%, respectively. "Burn rate" is calculated by dividing the number of Share Units granted during the applicable year (including the target amount of PSUs granted), by the weighted average number of Common Shares outstanding for the applicable year.

No Share Units will be granted to any participant if the total number of Shares issuable to such participant under the ESUP, together with any Shares issued to such participant under any other security-based compensation arrangement of the Corporation would exceed 5% of the issued and outstanding Common Shares. Under the ESUP and any other security-based compensation arrangement of the Corporation: (i) the number of Common Shares issuable at any time pursuant to RSUs granted to insiders shall not exceed 10% of the issued and outstanding common shares; and (ii) the number of Common Shares issued to insiders, within a one-year period, shall not exceed 10% of the issued and outstanding Common Shares.

Unless otherwise determined by the Board of Directors, in the event a participant's employment is terminated by the Corporation or an affiliate, other than for cause, prior to the end of a vesting period relating to a grant, and such participant does not have a written contract of employment setting out a notice period during which he or she is deemed to be employed in accordance with plan rules, no Share Units relating to such grant that have not vested and been settled prior to the date of the participant's termination without cause will vest. All unvested Share Units are forfeited upon a participant's termination of employment for cause.

Unless otherwise determined by the Board of Directors, (i) in the event a participant dies, unvested Share Units will vest on the date of death and will be paid out shortly thereafter; (ii) in the event a participant is unable to work for a consecutive period of 180 days as a result of disability, parental leave or approved leave of absence, the participant's unvested Share Units will continue to vest and be settled in accordance with the terms of the ESUP and the applicable grant agreement; and (iii) unless otherwise determined by the Board, in the event of the retirement of an eligible employee, unvested awards will expire and become forfeit.

In the event of a change in control prior to the end of the vesting period relating to a grant, all Share Units relating to such grant will become vested Share Units effective as of the date of such change in control. In the case of PSUs, the relevant performance criteria will be deemed to have been satisfied to the extent required to produce vesting of 100% of the PSUs at the date of the change in control.

The Executive Share Unit Plan may be amended or at any time by the Board of Directors in whole or in part; provided that, in accordance with TSX rules, specific security holder approval is required for: (i) a reduction in the purchase price under the ESUP benefiting an insider of the Corporation; (ii) an extension of the term under the ESUP benefiting an insider of the Corporation; (iii) any amendment to remove or to exceed the insider participation limit (iv) an increase to the maximum number of securities issuable, either as a fixed number or a fixed percentage of the Corporation's outstanding capital represented by such securities; and (v) amendments to an amending provision within the ESUP.

No amendment of the ESUP or the terms of any outstanding Share Unit granted will adversely affect the rights accrued to such participants with respect to Share Units granted prior to the date of the amendment, without the consent of the participants affected by the amendment, unless required for purposes of complying with applicable law (including TSX rules).

## Outstanding Option-Based and Share-Based Awards

The following table sets out, for each NEO, information concerning all option-based and share-based awards outstanding as of December 31, 2018, including awards granted before that date.

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	Number of shares or units of shares that have not vested	Market or pay out value of share-based awards that have not
	(#)	(\$)		(\$)	(#)	(\$)
Serge Lavoie	160,385	13.16	06/30/25	134,723	64,309	900,326
Patrick Espeut	1,500	8.89	03/31/20	7,665	3,738	52,332
Ken Coulson	4,500	8.89	03/31/20	22,995	17,613	246,582
	40,096	13.16	06/30/25	33,681		
Eric Millaire-Morin	–	–	–	–	7,214	100,996
Joe Colby	–	–	–	–	7,503	105,042

## Value Vested or Earned During the Year

The following table sets out, for each NEO, information concerning the value of incentive plan awards – option-based and share-based awards as well as non-equity incentive plan compensation – vested or earned during the financial year ended December 31, 2018.

Name	Option-based awards	Share-based awards	Non-equity incentive plan compensation
	Value vested during the year (\$)	Value vested during the year (\$)	Value earned during the year (\$)
Serge Lavoie	–	143,818	138,223
Alvin Sharma	–	64,967	79,267
Patrick Espeut	–	16,353	49,445
Ken Coulson	–	42,955	68,557
Eric Millaire-Morin	–	5,371	25,629
Joe Colby	–	8,591	13,630

As noted above, all unvested Share Units vested on the closing of the Transaction. They vested at the five-day Volume Weighted Average Price of \$13.73 per share. The unvested stock options were cancelled prior to the close of the Transaction. The following table sets out the compensation received by each NEO as a result of the vesting of the Share Units:

Name	Redemption Value on Closing of Transaction (\$)	Name	Redemption Value on Closing of Transaction (\$)
Serge Lavoie	1,069,114	Ken Coulson	300,687
Alvin Sharma <sup>(1)</sup>	0	Eric Millaire-Morin	176,128
Patrick Espeut	109,387	Joe Colby	173,932

<sup>(1)</sup> Mr. Sharma resigned on September 18, 2018 and at that time all of his unvested Share Units were cancelled.

## Pension Plan Benefits

The Corporation does not currently provide a pension plan for its executive group.



## Other Executive Benefits, Including Perquisites

### Group Benefit Plans

NEOs were eligible to participate in employee group benefit programs and plans that are generally available to all full-time and regular part-time employees (subject to fulfilling certain eligibility requirements). These included benefits such as active employee extended health and dental plans (including medical, vision care, group life insurance, accidental death and personal loss insurance and employee assistance benefits), as well as other programs such as the Corporation's employee stock purchase plan and group retirement savings plan. In designing these benefits, the Corporation sought to provide an overall level and mix of benefits that is competitive with those offered by corporations in its comparator group.

Mr. Lavoie and Mr. Chien will continue to participate in the Group extended health and dental plan. The employee stock purchase plan has been terminated. Neither Mr. Lavoie nor Mr. Chien are eligible to participate in a group RRSP.

### Perquisites

Certain perquisites were made available to NEOs and corporate executives. These included car allowance payments and a perquisite allowance. The total amount of the perquisites paid to each NEO was less than \$25,000 per year.

Neither Mr. Lavoie nor Mr. Chien will receive any perquisites.

## Executives and Senior Management Share Ownership Requirements

To align executive and senior management interest with shareholder interests the Corporation requires all senior management including the NEOs, to meet share ownership guidelines.

In 2017, as part of the compensation review, the Corporation revised the share ownership guideline for senior management. The required minimum levels of share ownership were changed to be proportionate to the employee's position and salary as shown below. Individuals employed at July 1, 2017 are required to meet the applicable share ownership target within five years. Those promoted or newly employed by the Corporation are required to meet the ownership target within five years from the date of promotion or employment as applicable. One fifth of the ownership target must be met each year. Once the target level is achieved, employees must maintain that level of ownership for the duration of their tenure with the Corporation. In determining whether the share ownership target is being achieved granted but unvested Share Units and shares held in the Corporation group RRSP are considered along with all Common Shares held by the employee. Common Shares underlying any unexercised options are not included.

### Target Ownership

Each officer and senior manager must acquire and maintain a level of ownership of the Corporation shares having a value as follows:

Share Ownership Guideline (Multiple of Salary)	
Chief Executive Officer	2.00x
Executive Management Team	1.00x
Vice President Level	0.40x
AVP's, Directors & Senior Management	0.25x

Following the close of the Transaction Share Ownership requirements were terminated and neither Mr. Lavoie nor Mr. Chien are required to own shares of the Corporation.

## Termination and Change of Control Benefits

The Company has written employment agreements with each of the NEOs and each of these executives are entitled to receive compensation established by the Company as well as other benefits in accordance with plans available to the most senior employees (including health, dental, life insurance, and short-term disability and long-term disability). In addition, a NEO may receive certain payments or benefits at, following, or in connection with a Change of Control of the Corporation, a change in the NEO's responsibilities, or a NEO's termination, including resignation, severance, retirement or constructive termination.

The actual amount that a NEO could receive in the future as a result of a termination of employment could differ materially from the amounts set forth below as a result of, among other things, changes in the Company's share price, changes in the executive's base salary, the timing of the termination event, changes in STIP amounts, and the vesting and grants of additional equity awards.

"Change of Control" refers to the occurrence of a transaction or series of transactions as a result of which: (i) at least 50% in fair-market value of all the assets of the Corporation are sold; or (ii) there is direct or indirect acquisition by a person or group of persons (excluding the Employee or any person associated with the Employee) acting jointly or in concert of voting securities of the Corporation (as defined in the *Securities Act*, as amended) that when taken together with any voting securities owned directly or indirectly by such person or group of persons at the time of the acquisition, constitute 51% or more of the outstanding voting securities of the Corporation, but does not include any transaction that may occur between the Corporation, any affiliate or subsidiary of the Corporation or, as applicable, any person associated with the Corporation or any affiliate or subsidiary of the Corporation, which, but for such relationship, the transaction would otherwise constitute a Change of Control hereunder.

The payment and provisions differ among the NEOs. There are differences among the agreements regarding the magnitude of the payments to be provided in the event of certain terminations that reflect, among other things, the degree to which these issues were critical to the particular executive.

Following the close of the Transaction, Mr. Lavoie and Mr. Chien entered into fixed term employment agreements with the Corporation. The employment agreements are guaranteed for a six-month period and may be extended on a month to month basis. When the employment agreements end, no further severance or termination payments are payable to either Mr. Lavoie or Mr. Chien. The employment agreements do not contain change of control benefits.

The following describe the Termination and Change of Control provisions of the NEOs prior to the close of Transaction.

***Serge Lavoie, President & Chief Executive Officer***

In the event that Mr. Lavoie's employment with the Corporation is terminated without cause his employment agreement with the Corporation provides for certain payments and benefits for a period of time (the "Notice Period") equal to twenty-four months. On termination without cause, Mr. Lavoie would be entitled to salary continuance for the Notice Period. During the Notice Period, a payment in "lieu of bonus" will be calculated based on the average of the annual bonus payments paid to the Mr. Lavoie in the three calendar years immediately preceding the delivery of the written notice of termination. Upon termination without cause, any equity awards previously granted to Mr. Lavoie under the Stock Option Plan, the ESUP or any other incentive plan that have not yet vested as of the termination date will continue to vest in accordance with the applicable vesting schedules and the terms of the applicable plans to the end of the Notice Period.

In the event of a Change of Control, Mr. Lavoie would have a 10-day window to trigger, at his sole discretion, the change of control provisions contained in his employment agreement. If Mr. Lavoie does not trigger the change of control provisions but his employment is terminated within six months following a Change of Control, the change of control provisions of his employment agreement will be triggered. The Change of Control provisions in Mr. Lavoie's employment agreement provide that on a Change of Control he would be entitled to twenty-four months base salary (from the date of Change of Control); payment in "lieu of bonus" will be calculated based on the average of the annual bonus payments paid to the Mr. Lavoie in the three calendar years immediately preceding the delivery of the written notice of termination; and twenty-four months of benefit coverage for certain benefits, subject to applicable plans and policies. In addition, in the event of a Change of Control any and all stock options granted to Mr. Lavoie under the EFH Stock Option Plan and share units granted to the Employee under the ESUP, that have not vested will immediately vest effective as of the date of such Change of Control subject to the terms of the applicable plans.

These entitlements post-termination or Change of Control are subject to Mr. Lavoie's continued duty of confidentiality, and his agreement not to solicit for a period of two years after any such termination any customer or any employee of the Corporation for the benefit or on behalf of any competing business nor attempt to direct any such customer or employee away from the Corporation.

If such rights upon termination had been triggered as of December 31, 2018, the last business day of the Corporation's most recently completed financial year, the incremental payments are estimated to be \$1,580,604.

***Alvin Sharma, Chief Financial Officer***

Mr. Sharma resigned on September 8, 2018. At the time his employment agreement with the Corporation provided for certain payments and benefits following his termination by the Corporation without cause or upon a "Change of Control". Upon resignation, Mr. Sharma did not receive any incremental payments.

***Patrick Espeut, Interim Chief Financial Officer***

Mr. Espeut's employment agreement with the Corporation provides for certain payments and benefits following his termination by the Corporation without cause. Upon such termination, Mr. Espeut would be entitled to twelve months of salary continuation, "payment in lieu of bonus" will be calculated based on the average of the annual bonus payments paid to the Mr. Espeut in the three calendar years immediately preceding the delivery of the written notice of termination and with continuation of certain benefit coverage, subject to applicable plans and policies.

These entitlements post-termination are subject to Mr. Espeut's continued duty of confidentiality, and his agreement not to solicit for a period of one year after any such termination any customer or any employee of the Corporation for the benefit or on behalf of any competing business nor attempt to direct any such customer or employee away from the Corporation.

Mr. Espeut did not have any Change of Control provisions in his employment agreement.

If such rights upon termination had been triggered as of December 31, 2018, the last business day of the Corporation's most recently completed financial year, the incremental payments are estimated to be \$285,554.

***Ken Coulson, Vice President and General Counsel***

Mr. Coulson's employment agreement with the Corporation provides for certain payments and benefits following his termination by the Corporation without cause. Upon such termination, Mr. Coulson would be entitled to twelve months of salary continuation, "payment in lieu of bonus" will be calculated based on the average of the annual bonus payments paid to the Mr. Sharma in the three calendar years immediately preceding the delivery of the written notice of termination and with continuation of certain benefit coverage, subject to applicable plans and policies.

In the event of a Change of Control and where the Corporation or its successor terminates Mr. Coulson's employment without cause within the six-month period immediately following the Change of Control then, Mr. Coulson would be entitled to eighteen months salary continuation, from the date of Change of Control. In addition, Mr. Coulson would be entitled to "payment in lieu of bonus" to be calculated based on the average of the annual bonus payments paid to the Mr. Coulson in the 3 calendar years immediately preceding the delivery of the written notice of termination and, with the continuation of benefit coverage through the Notice Period, subject to applicable plans and policies.

In addition, in the event of a Change of Control any and all stock options granted to Mr. Coulson under the EFH Stock Option Plan and share units granted to the Employee under the ESUP, that have not vested will immediately vest effective as of the date of such Change of Control subject to the terms of the applicable plans.

These entitlements post-termination are subject to Mr. Coulson's continued duty of confidentiality, and his agreement not to solicit for a period of one year after any such termination any customer or any employee of the Corporation for the benefit or on behalf of any competing business nor attempt to direct any such customer or employee away from the Corporation.

If such rights upon termination had been triggered as of December 31, 2018, the last business day of the Corporation's most recently completed financial year, the incremental payments are estimated to be \$507,847.

***Eric Millaire-Morin, Chief Actuary***

Mr. Millaire-Morin's employment agreement with the Corporation provides for certain payments and benefits following his termination by the Corporation without cause. Upon such termination, Mr. Millaire-Morin would be entitled to twelve months of salary continuation, "payment in lieu of bonus" will be calculated based on the average of the annual bonus payments paid to the Mr. Millaire-Morin in the three calendar years immediately preceding the delivery of the written notice of termination and with continuation of certain benefit coverage, subject to applicable plans and policies.

These entitlements post-termination are subject to Mr. Millaire-Morin's continued duty of confidentiality, and his agreement not to solicit for a period of one year after any such termination any customer or any employee of the Corporation for the benefit or on behalf of any competing business nor attempt to direct any such customer or employee away from the Corporation.

Mr. Millaire-Morin did not have any Change of Control provisions in his employment agreement.

If such rights upon termination had been triggered as of December 31, 2018, the last business day of the Corporation's most recently completed financial year, the incremental payments are estimated to be \$399,958.

***Joe Colby, Vice President, Claims***

Mr. Colby's employment agreement with the Corporation provides for certain payments and benefits following his termination by the Corporation without cause. Upon such termination, Mr. Colby would be entitled to twelve months of salary continuation, "payment in lieu of bonus" will be calculated based on the average of the annual bonus payments paid to the Mr. Colby in the three calendar years immediately preceding the delivery of the written notice of termination and with continuation of certain benefit coverage, subject to applicable plans and policies.

These entitlements post-termination are subject to Mr. Colby's continued duty of confidentiality, and his agreement not to solicit for a period of one year after any such termination any customer or any employee of the Corporation for the benefit or on behalf of any competing business nor attempt to direct any such customer or employee away from the Corporation.

Mr. Colby did not have any Change of Control provisions in his employment agreement.

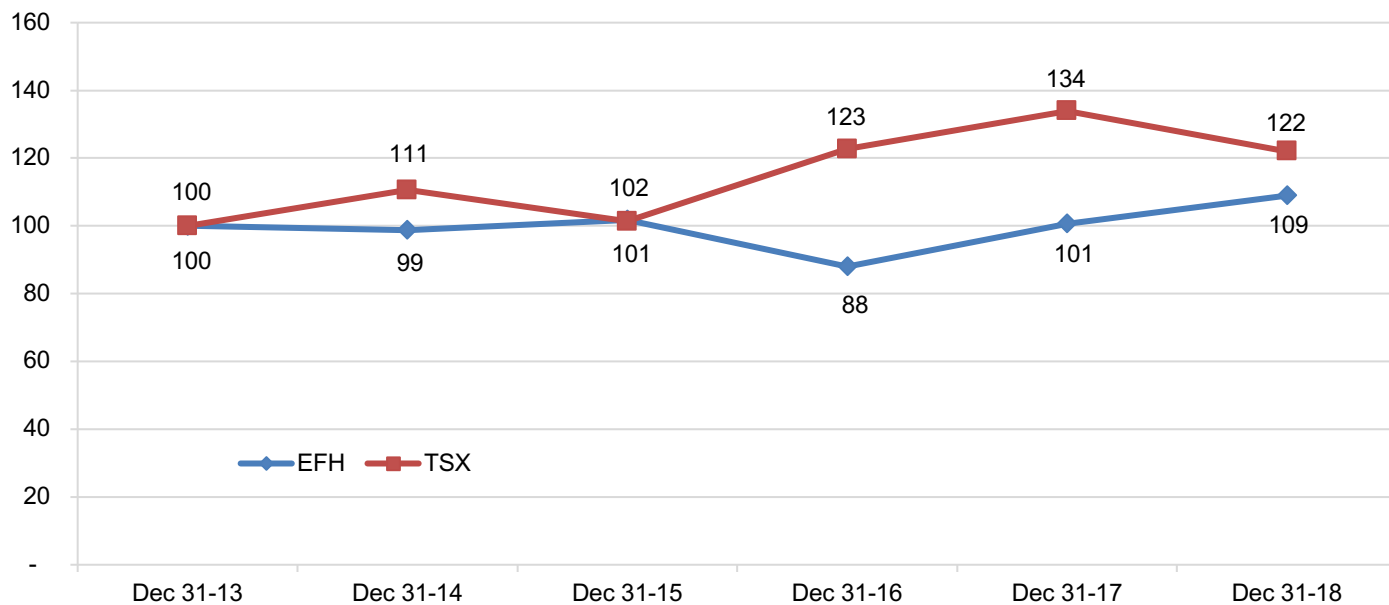
If such rights upon termination had been triggered as of December 31, 2018, the last business day of the Corporation's most recently completed financial year, the incremental payments are estimated to be \$402,139.

## Other Employment Agreements

The Corporation has employment agreements with all the other senior management which will automatically continue from year to year. Each of these employment agreements may provide for the payment of salary, certain benefits coverage and the payment of short term incentive compensation in the event of termination without cause.

## Performance Graph

The following graph compares the percentage change in the Corporation's cumulative total shareholder return on its Common Shares with the cumulative total return of the S&P/TSX Composite Index (the "S&P/TSX Index") during the five most recently completed financial years. The graph illustrates the cumulative return on a \$100 investment in Common Shares made on December 31, 2013, as compared with the cumulative return on a \$100 investment in the S&P/TSX Index made on December 31, 2013. The Common Share performance as set out in the graph does not necessarily indicate future price performance.



	Dec 31, 2013	Dec 31, 2014	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017	Dec 31, 2018
Common Shares	\$100	\$99	\$102	\$88	\$101	\$109
S&P/TSX Index	\$100	\$111	\$101	\$123	\$134	\$122

The trend of the Corporation's performance-based compensation reflects the Corporation's share price in part, through the changing values of the share-based and option-based components of the awards. This and other performance-based compensation is intended to align the objectives of employees with the objectives of the Corporation and the long-term interests of shareholders. Short-term incentives are linked both to individual performance and to the achievement of the Corporation's financial and strategic results, while long-term incentives are linked to the Corporation's performance and financial results relative to the Canadian P&C insurance industry.

All permanent employees, including NEOs, executives and senior management, participate in the annual, cash-based Short-Term Incentive Plan. Awards are earned on the achievement of the Corporation's strategic financial objectives and the personal performance of individual participants. Growth and profitability for the incentive payment are based on the Corporation's performance relative to the P&C Insurance industry.

## Director Compensation

### Director Compensation Policy

Directors are compensated for their services as Directors through Board and Chair retainers. Directors who are also officers of the Corporation or its subsidiaries receive no remuneration as Directors. The Governance Committee is responsible for reviewing Director compensation and updating Director compensation as appropriate. The amount of compensation is intended to recognize the workload and responsibility of Board and Committee members and to remain competitive with director compensation trends in Canada. The Governance Committee reviews director compensation on a biennial schedule and it was last reviewed in February 2017.

Although eligible by its terms, Directors do not participate in the Corporation's Stock Option Plan. Directors who are not employees are not eligible for grants under the Corporation's Executive Share Unit Plan.

During the financial year ended December 31, 2018, Directors of the Corporation who were not officers or employees of the Corporation received compensation totalling \$755,000. Directors were entitled to be paid annual retainers as follows:

Director Retainer	\$75,000	Governance Committee Chair Retainer	\$20,000
Board Chair Retainer	\$120,000	Investment Committee Chair Retainer	\$10,000
Audit and Risk Committee Chair Retainer	\$20,000	Subsidiary Director Retainer	\$ 5,000

The Board of Directors has approved the following annual retainers, commencing September 1, 2019:

Director Retainer	\$30,000	Board Chair Retainer	\$50,000
Audit and Risk Committee Chair Retainer	\$10,000		

### Director Compensation Earned (January 1, 2018 – December 31, 2018)

Name	Board Chair/ Member Retainer	Committee Chair Retainer	Other Board or Committee Retainer <sup>(1)</sup>	Total Compensation	Portion Taken in Cash	Portion Taken in Equity (DSUs)
	\$	\$	\$	\$	\$	\$
James Falle <sup>(2)</sup>	75,000	20,000	15,000	110,000	47,500	62,500
Lee Matheson <sup>(3)</sup>	75,000	–	15,000	90,000	–	90,000
Andrew Pastor <sup>(4)</sup>	75,000	10,000	15,000	100,000	–	100,000
Gary Quon	75,000	–	–	75,000	37,500	37,500
Sharon Ranson <sup>(5)</sup>	75,000	20,000	–	95,000	47,500	47,500
Brian Reeve <sup>(6)</sup>	75,000	–	15,000	90,000	90,000	–
David Thomson	75,000	–	–	75,000	37,500	37,500
Murray Wallace	120,000	–	–	120,000	–	120,000

(1) In January 2018 the Board appointed a Special Committee tasked with reviewing and evaluating proposals for the sale of the Corporation's assets or shares. The members of the Special Committee received additional directors' fees as approved by the Board.

(2) Chair of the Audit and Risk Committee.

(3) Joined the Board in February 2018.

(4) Chair of the Investment Committee.

(5) Chair of the Governance Committee.

(6) Director's fees to which Brian Reeve was entitled were paid, at his direction, to Cassels Brock LLP.

Fair values used are the same as those used by the Corporation in its financial statements which are prepared in accordance with International Financial Reporting Standards.

## Directors' Deferred Share Unit Plan

Pursuant to a Deferred Share Unit Incentive Plan (the "DSU Plan"), an eligible director, who is not otherwise an employee of the Corporation or any affiliate and is not employed by a corporation that holds at least 100,000 Shares of the Corporation, receives half or all (at their election) of their annual retainer and meeting fees in the form of deferred share units (DSUs), each of which is equivalent in value to one Common Share of the Corporation. An eligible director who is employed by a corporation that holds at least 100,000 Shares of the Corporation may elect to receive their annual retainer and meeting fees in cash or either half or all in the form of DSUs, each of which is equivalent in value to one Common Share of the Corporation. The number of DSUs is established by dividing the amount of retainers not paid in cash by the weighted average trading price of the Common Shares for the last five trading days preceding the determination. Whenever cash dividends are paid on the Common Shares, the director's account under the DSU plan is credited with additional DSUs corresponding to the dividend paid on the Common Shares.

Deferred Share Units (DSUs) earned by directors are redeemable for cash in the event of the completion of a general offer by a third party to purchase all of the issued shares of the Corporation, or the sale of all or substantially all of the Corporation's assets and undertaking, or a merger, amalgamation or being absorbed by or into any other company (other than its subsidiary) under any circumstances which involve or may involve or require the liquidation of the Corporation, a distribution of its assets among its shareholders, or the termination of the corporate existence.

By the end of the calendar year following the end of a directors' service on the board DSUs may be redeemed at fair market value at the time of the redemption. In 2018 former director, Angus Ross, redeemed his DSUs.

Following the close of the Transaction all DSUs were redeemed. Directors were permitted to elect to take shares or cash in exchange for the DSUs which were re-deemed at the five-day Volume Weighted Average Price of \$13.73 per share. The following chart identifies the redemption value of the DSUs on closing of the Transaction:

Director	Redemption Value on Closing of Transaction	Director	Redemption Value on Closing of Transaction
James Falle	\$113,533	Sharon Ranson	\$202,737
Lee Matheson	\$117,186	David Thomson	\$76,407
Andrew Pastor	\$275,341	Murray Wallace	\$391,840
Gary Quon	\$76,407		

## Indebtedness of Directors and Executive Officers

None of the Directors or executive officers of the Corporation were indebted to the Corporation or its subsidiaries during the financial year ended December 31, 2018, nor in the period up to June 30, 2019.

## Directors' and Officers' Liability Insurance

The Corporation maintains liability insurance for its Directors and Officers acting in their respective capacities in an aggregate amount of \$50,000,000, subject to a \$100,000 deductible for Corporation Indemnification Coverage. The premium paid by the Corporation during fiscal 2018 for this coverage was \$85,293.

## 5 - INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Since the beginning of the most recently completed fiscal year, no informed person of the Corporation, nominee for election as a director, or associate or affiliate of any informed person or nominee, has, or has had, any material interest, direct or indirect, in any transaction or proposed transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries or affiliates, other than those described below.

The Corporation has entered into transactions with Co-operators General Insurance Company, which is an insider of the Corporation, that consist principally of the agent channel of distribution.

The Insurance Company of Prince Edward Island ("ICPEI"), in which the Corporation has a 75% ownership, has entered into transactions with three related parties – Charlie Cooke Insurance Agency Ltd. ("CCIA"), Atlantic Adjusting & Appraisals Ltd. ("AAA") and Maritime Finance and Acceptance Corporation ("MFAC"). These transactions are carried out in the normal course of operations and are measured at cost which approximates fair value. CCIA distributes ICPEI insurance products through its brokerage operations. CCIA has minority shareholders who are related parties of the minority shareholders of ICPEI. AAA and MFAC provide insurance operational services to ICPEI. The shareholders of AAA and MFAC are also directors and managers of ICPEI.

## 6 - STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Canadian Securities Administrators have established National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (the “National Instrument”) and National Policy 58-201 – *Corporate Governance Guidelines* (the “National Policy”). The National Policy sets out a series of guidelines for effective corporate governance (the “Guidelines”). The Guidelines address matters such as the constitution and independence of corporate boards, the functions to be performed by boards and their committees and the effectiveness and education of Board members. The National Instrument requires the disclosure by each public corporation of its approach to corporate governance with reference to the Guidelines as it is recognized that the unique characteristics of individual corporations will result in varying degrees of compliance.

Set out below is a description of the Corporation’s approach to corporate governance in relation to the Guidelines and, where applicable, National Instrument 52-110 – *Audit Committees* (“NI 52-110”).

### The Board of Directors

#### Board of Directors Mandate

The Board of Directors is responsible for the overall stewardship of the Corporation. The Board of Directors discharges this responsibility directly and through delegation of specific responsibilities to committees of the Board of Directors, the Chair, and officers of the Corporation, all as more particularly described in the Board of Directors Mandate adopted by the Board of Directors.

As set out in the Board of Directors Mandate, the Board of Directors has established three committees to assist with its responsibilities: Audit and Risk Committee, Governance Committee, and Investment Committee. Each of these has a Charter defining its responsibilities.

The Board of Directors Mandate is attached as Schedule “A” to this Circular.

Following the close of the Transaction, the Board of Directors unanimously approved the Board of Directors sitting as a Committee of the Whole for the Investment and Governance Committees. Effective June 1, 2019, all directors sit as members of both the Investment Committee and the Governance Committee.

#### Position Descriptions

The Board has developed a written position description for the Chair of the Board (the “Chair”), which sets out the Chair’s key responsibilities, including, as applicable, duties relating to setting Board meeting agendas, chairing Board meetings and communicating with shareholders and regulators as necessary. The Board has also adopted a written position description for each of the Committee chairs which sets out each of the Committee chair’s key responsibilities, including duties relating to setting Committee meeting agendas, chairing Committee meetings and working with the respective Committee and management to ensure the effective functioning of the Committee.

The Board has also developed a written position description for the CEO which sets out the key responsibilities of the CEO. The primary functions of the CEO is to implement strategy, lead management of the business and affairs of the Corporation, lead the implementation of the resolutions and the policies of the Board and to communicate with shareholders and regulators as necessary.

#### ***Nomination of Directors and Board Renewal***

The Governance Committee acts as the Corporation’s Nominating Committee and is responsible for identifying new candidates for Board nomination.

The Governance Committee annually reviews both the size and composition of the Board and Board committees. The Governance Committee uses a skills matrix to assist in the assessment of the competencies of the current directors, identifying any gaps in Board skills that may exist, identifying desirable skill sets to look for in new director candidates, and considering whether the Board’s skills and experience need to be strengthened in any areas. As part of the Board’s renewal process, the Governance Committee annually analyses these factors when considering whether an appropriate number of directors sits on the Board and when recommending potential nominees for consideration.

The Governance Committee does not maintain a standing list of skills, expertise, and experience expected from new directors since the skills, expertise, and experience sought from director candidates will vary as the composition of the Board and its committees evolves over time. See Schedule “B” to this Circular for an overview of the director recruitment, nomination and selection process.

## Majority Voting Policy

On the recommendation of the Governance Committee, the Board has adopted a Majority Voting policy. The policy requires that in an uncontested election of directors, if any director nominee has more votes withheld than voted in favour of that director nominee, the nominee will immediately tender their resignation, effective on acceptance by the Board, to the Governance Committee. Within 60 days of receiving the tendered resignation the Governance Committee will consider the tendered resignation and make a recommendation to the Board on whether the resignation should be accepted. In considering the tendered resignation the Governance Committee will consider all relevant factors including (i) the reasons, if known, why shareholders “withheld” or were requested to “withhold” votes from the director; (ii) the director’s history of service and contribution to the Corporation; (iii) the nominee’s qualifications and skills; (iv) the current mix of director skills and attributes on the Board, and (v) legal requirements, policies or guidelines (regulatory, securities or corporate laws or stock exchange rules) for director numbers and qualifications. Within 90 days of receiving the tendered resignation the Board will decide whether to accept or reject the tendered resignation and will announce its decision and the reasons for the decision in a press release. If the Board accepts the resignation, the Governance Committee will make recommendations to the Board on whether the vacancy should be filled and, subject to legal restrictions, when and how the vacancy should be filled.

## Director Expectations and Requirements

### Ethical Business Conduct

Under the guidance of the Governance Committee, the Board of Directors has adopted a written Code of Ethics (the “Code”) for the Corporation’s directors, officers and employees that sets out the Board’s expectations for the conduct of such persons in their dealings on behalf of the Corporation. The Code is available under the Corporation’s profile on SEDAR at [www.sedar.com](http://www.sedar.com).

The Governance Committee has approved confidential reporting procedures in order to encourage employees, Directors and Officers to raise concerns regarding matters addressed by the Code, on a confidential basis free from discrimination, retaliation or harassment. Employees who violate the Code may face disciplinary actions, including dismissal.

In order to ensure independent judgment in considering potential transactions in which a Director, Officer or Insider has a material interest, the Governance Committee’s duties include: reviewing any issues related to business ethics or potential conflict of interest between the Corporation and any parties related to Directors or Officers of the Corporation, and advise the Board of Directors on the appropriate course of action; reviewing and providing recommendations to the Board on any related party transactions that may have a material effect on the Corporation; and monitoring the procedures to resolve conflicts of interest established by the Board on the recommendation of the Governance Committee.

In addition to the Code, the Corporation has adopted a Disclosure Policy to ensure that communications to the public are timely, factual, accurate and broadly disseminated in accordance with applicable securities laws.

### Independence

The National Instrument defines an “independent director” as a director who has no direct or indirect material relationship with the Corporation. A “material relationship” is, in turn, defined as a relationship which could, in the view of the Board of Directors, be reasonably expected to interfere with such member’s independent judgment. In determining whether a particular director is an “independent director” or a “non-independent director”, the Board of Directors considers the factual circumstances of each director in the context of the Guidelines.

The Governance Committee has reviewed the status of each of the directors to determine which directors are “independent” as defined in National Instrument 58-101 Disclosure of Corporate Governance Practices (“NI 58-101”). As a result of this review and after consideration of all business, charitable, and family relationships among the directors and the Company, the Governance Committee has determined that each of the director nominees, with the exception of Serge Lavoie, the Corporation’s Chief Executive Officer, are both independent and not affiliated with the Corporation.

In order to facilitate an open and candid discussion among independent directors, a portion of every regular Board and Committee meeting is reserved for independent directors to meet *in camera* without the presence of management and non-independent directors. The Board of Directors have the opportunity, at their discretion, to hold *ad hoc* meetings that are not attended by management and non-independent directors. In 2018 the Board met *in camera* 5 times; the Audit and Risk Committee and the Governance Committee met *in camera* 4 times each.

The roles of Chairman and CEO are separate. The Chairman manages the Board’s affairs to ensure that the Board functions effectively and meets its obligations and responsibilities, including responsibilities to shareholders. The position description for the Chairman sets out the Chairman’s key responsibilities, which include setting Board meeting agendas in consultation with the CEO and chairing all Board meetings. In accordance with the Guidelines that provide that the Chair of the Board should be independent and the Corporation’s policy that the Chair of the Board shall at all times be an individual who is not otherwise an officer or employee of the Corporation or any of its affiliates, the Chair of the Board, Murray Wallace, is an independent director.



## Attendance

Directors are expected to attend all Board meetings and all meetings of Committees of which they are members. The Chair of the Board attends all Committee meetings as an *ex officio* member of the Committee.

The information presented below reflects the number of Board of Directors and Board Committee meetings held between January 1, 2018 and December 31, 2018. The chart below reflects the attendance of present directors for the period that they were members of the Board or respective Committee.

### Summary of Attendance of Directors

Director	Total Board meetings attended	Audit & Risk Committee meetings attended	Governance Committee meetings attended	Investment Committee meetings attended
	14 MEETINGS HELD	4 MEETINGS HELD	4 MEETINGS HELD	5 MEETINGS HELD
James Falle <sup>(1)</sup>	13 of 14	3 of 4	–	4 of 5
Serge Lavoie	14 of 14	–	–	–
Andrew Pastor	14 of 14	–	4 of 4	5 of 5
Gary Quon	14 of 14	4 of 4	4 of 4	–
Sharon Ranson	14 of 14	4 of 4	4 of 4	–
Brian Reeve	14 of 14	–	4 of 4	5 of 5
David Thomson	13 of 14	4 of 4	–	5 of 5
Murray Wallace	14 of 14	–	–	–
Lee Matheson <sup>(1)</sup>	13 of 13	–	–	4 of 4

(1) Joined the Board in February 2018.

## Director Tenure

Directors are elected annually. Directors commit to serving a minimum of three years. Each year, the Corporation nominates Directors for re-election each year, under the rules of the Ontario Securities Commission and NI 58 -101. Directors are elected by the shareholders. Near the end of the three-year term, a Director will be provided with an assessment and performance review as related to their performance and contributions to the Board over the three-year term. The assessment and performance review will be conducted by the Board Chair and Governance Committee Chair. Directors may be nominated for a second three-year term, dependent on previous performance on the Board and the required skill sets of the Board at the time of renewal. Directors can serve up to three consecutive terms for a total of nine years, with the exception that, in special circumstances, and on the recommendation of the Governance Committee, the Board of Directors may annually extend a Director's tenure by one additional year. However, in no case shall a Director serve more than twelve years.

## Director Commitments and Interlocking Directorships

The Governance Committee monitors the demands placed on each director's time and attention outside of their service on the Board. This includes reviewing the number of other public company boards that a director serves on to ensure that no director has excessive commitments to other public companies that may result in a reduced ability for the director to provide effective oversight as a Board member of the Corporation.

The Governance Committee reviews director interlock as part of its annual evaluation of director independence. The Governance Committee monitors interlocking board and committee memberships among all directors. Board interlocks exist when two directors of one company sit on the board of another company and committee interlocks exist when two directors sit together on another board and are also members of the same board committee, in each case, other than subsidiaries of the Company. Currently, there are no board or committee interlocks that exist among the director nominees

Currently, the Directors of the Corporation listed below serve on the boards of directors of other public companies shown beside their name:

Director	Public Company
Sharon Ranson	Sprott Inc., Spark Power (SPG-TSX), Fire and Flower (FAF-TSXV) and Dorel Industries (DII.B-TSX)
Lee Matheson	Strad Inc (TSX:SDY) and exactEarth Ltd (TSX: XCT)

## Director Development and Assessments

### Orientation and Continuing Education

The Governance Committee's is responsible for ensuring that new members of the Board receive appropriate director orientation to familiarize such directors with, among other things, the Corporation's business, strategic plans, significant financial, accounting and risk management issues, compliance programs, principal officers, and independent auditors. The Corporation encourages each director to participate in continuing educational programs in order to maintain the necessary level of expertise to perform his or her responsibilities as a director.

### Board and Director Assessments

The Governance Committee is responsible for assessing the effectiveness of the Board, and the committees of the Board. The Board has a formal annual process for the performance evaluation of the Board, its Committees, individual directors and the Chair of the Board through a self-assessment process. The results of the self-assessment are reviewed by the entire Board. External Board performance assessments are conducted every five years. The members of the Board review the effectiveness of the Board and its Committees, contributions as a director, preparation for and performance at meetings and overall corporate governance matters.

The Nominating Committee utilizes the results of the assessment process and the Board Capability Matrix in determining the characteristics and critical skills required of prospective candidates to the Board and making recommendations to the Board with respect to assignments of Board members to various committees. Further information regarding the assessment process of the Board is described in the Board of Directors Mandate attached as Schedule "A".

## Other Corporate Matters and Best Practices

### Diversity Policy

The Board has approved a diversity policy which recognizes the importance and value of diversity to the success of the Corporation. The diversity policy provides that the Corporation will recruit and retain the most qualified persons to serve on the Board and within the Corporation based upon the needs of the Corporation and the Board. The Nominating Committee, which is responsible for the director nominee selection process, is responsible for implementing the diversity policy. In identifying the highest quality director nominees, the Committee reviews present and future needs of the Corporation, focusing on the merits of an individual and ensuring a balance of expertise, skills, personal attributes and backgrounds on the Board and within executive officer positions.

The Corporation does not have a written policy specifically relating to the identification and nomination of women directors. The Nominating Committee in its implementation of the diversity policy considers the level of representation of women on the board by ensuring that appropriate women candidates are included in the slate of candidates for the Board's consideration.

The Corporation has not adopted targets for the level of representation of women on the Board or in executive officer positions, because the Corporation believes that it should not focus on a specific identified group. Diversity is important to the Corporation's Board and management, as it is only through access to the most diverse pool of talent will the most talented individuals be recruited and retained to serve on its Board and within the Corporation. In considering new Board nominees and executive officer appointments, diversity is one of the key criteria considered by the Corporation. The Corporation and the Board of Directors continually reviews and measures its composition, including the representation of women, having regard to the present and future needs of the Corporation and the Board's structure, including the balance of expertise, and skills, personal attributes and backgrounds brought by individual executives and directors and their length of service, where continuity and diverse experience can add significantly to the strength of the Corporation and to the Board.

The diversity policy commits the Corporation to actively recruiting and advancing women into Board and management positions. As of July 2, 2019, 11.1% (1 of 9) directors of the Corporation and 0% (0 of 3) of the executive officers of the Corporation and its major subsidiaries are women.

### Shareholder Engagement

Our Shareholder Engagement encourages open dialogue and the exchange of ideas with our shareholders. We communicate with shareholders and other stakeholders through various channels, including our annual report, management proxy circular, annual information form, quarterly reports, news releases, website, industry conferences and meetings. Prior to the public announcement of the Transaction, quarterly earnings calls were conducted and featured a live webcast and question and answer period. We also hold our annual meeting of Shareholders, so all our Shareholders can participate. In addition, our website provides information about the Board and our management team.

Feedback from the Corporation's institutional shareholders is received during one-on-one or group meetings with members of the Board and senior management who also routinely communicate with retail shareholders via email and telephone.

## Succession Planning

While the Board of Directors remains active in this area, it delegates responsibility for reviewing policies and procedures relating to employment, succession planning and compensation (including executive compensation) to the Governance Committee. The Committee has developed a normal-course succession plan for the CEO as well as an emergency succession plan in place, should it ever be required.

# 7 - COMMITTEE REPORTS

## Audit and Risk Committee

Currently, the Audit and Risk Committee is comprised of four Directors of the Corporation. The members of the Audit and Risk Committee are: James Falle (Chair), Gary Quon, Sharon Ranson, and David Thomson, all of whom are independent and financially literate for the purposes of NI 52-110, and four of which have accounting or related financial management experience. Further disclosure relating to the Audit and Risk Committee and its members, as required by NI 52-110 can be found on pages 12 and 13 and in Appendix "A" of the Corporation's Annual Information Form dated March 6, 2018 which is available under the Corporation's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

## Governance Committee

Following the close of the Transaction, all directors sit on the Governance Committee. Previously the members of the Governance Committee were Sharon Ranson (Chair), Andrew Pastor, Gary Quon, and Brian Reeve. None of the members of the Governance Committee were officers or employees or former officers or employees of the Corporation. All are independent directors. None of the Governance Committee members are eligible to participate in the Corporation's executive compensation programs.

The Governance Committee is responsible for, among other things, reviewing and recommending the form and adequacy of compensation arrangements for executives, officers and directors, having regard to associated risks and responsibilities.

The Governance Committee's breadth of executive compensation knowledge was developed from their different combined experiences, as entrepreneurs, business owners and senior executives in large corporations.

The Committee provides oversight and leadership of corporate governance, on such matters as Board composition, Board performance evaluation, Board education and orientation, Board and management succession planning and regulatory compliance. In its role as the Corporations' Conduct Review Committee the Committee quarterly reviews existing and ongoing related party transactions, considers any potential conflicts of interest, provides oversight to the Chief Compliance Officer and reviews related policies. In order to ensure transparency, the Committee also reviews and provides assurances to the Board on Code of Ethics procedures, whistle-blower arrangements and material contracts.

The Governance Committee Chair and Board Chair conduct an annual performance review of the Chief Executive Officer based on the performance of the business, achievement of the Corporation's financial and strategic objectives, development of management and other criteria determined by the Governance Committee. The Chief Executive Officer's annual objectives are established and assessed. These objectives include the general mandate to manage the Corporation and to maximize shareholder value.

Along with the Board Chair, members of Governance Committee also function as a Nominating Committee. The Nominating Committee, with input from board members, identifies, screens and recommends candidates for Board membership. Nominees for director are selected on the basis of, among other things, experience, knowledge, skills, expertise, integrity, ability to make independent analytical inquiries, diversity, understanding of the Corporation's business environment and willingness to devote adequate time and effort to Board responsibilities. All nominees are subject to the Corporations' Responsible Persons Assessment Policy.

## Activities of the Governance Committee in 2018:

In 2018, the Governance Committee, in accordance with its Mandate, accomplished the following:

### **Compensation**

The Corporation's executive compensation framework is designed to link executive pay to performance, align compensation with shareholder value, and reflect best practices. The Governance Committee annually reviews compensation programs to achieve these objectives and to ensure that the compensation framework is in keeping with the Corporation's philosophy and strategic goals. In 2017, with the assistance of external compensation consultant, Willis Towers Watson, the Corporation implemented executive compensation revisions.

## **STIP Plan Review**

On recommendation of the Governance Committee, the Board approved changes to the financial and operational performance measures used in the STIP. Targets for 2018 were established through a robust goal setting approach that included evaluating the context of the current business environment, consideration of the Corporation's medium-term performance targets, and scenario testing against a range of downside risks and upside opportunities to set goals that were both realistic and growth-oriented.

## **Executive Compensation Program Review**

Total executive compensation was reviewed relative to a peer group to ensure that the Corporation's compensation program continues to be competitive with the market and aligns with good governance practices. As part of this review, the Corporation adjusted its compensation peer group.

In addition, the Committee reviewed and considered the compensation mix for senior executives who participate in the Corporation's equity incentive plans. Specifically, the Committee:

- Reviewed the market positioning of the Corporation and conducted annual merit and market review of senior management compensation, including that of the CEO;
- Reviewed and approved the remuneration for senior management;
- Reviewed and approved Mid-Term Incentive Plan and Long-Term Incentive Plans for senior management; and
- Reviewed and approved the CEO's Short-Term Incentive Plans, Long-Term Incentive Plans and total compensation.

Further information regarding the changes to the executive compensation is provided in the "Executive Compensation" section of this Circular.

## **Assessments and Succession Planning**

- Reviewed the succession plan for the Chief Executive Officer and reviewed the succession plans with respect to other members of Senior Management, including the heads of the oversight functions;
- Met with the CEO to discuss the CEO's performance review for 2018 and determine objectives for 2019; and
- Reviewed and considered succession plans for the Board of Directors and the Board Committees.

## **Strategies and Mandate of the Committee**

- Reviewed and approved the Mandate, including the Work Plan of the Committee.

## **Board Performance - Governance and Board Operations**

- Reviewed committee charters and work plans;
- Reviewed and updated Board mandates;
- Reviewed Board Tenure Policy and Board independence criteria;
- Reviewed and updated the Corporation's Disclosure Policy and Board Tenure Policy; and
- Approved a new Majority Voting Policy

## **Investment Committee**

Following the close of the Transaction, all directors sit on the Investment Committee. Previously, the Investment Committee was comprised of Andrew Pastor (Chair), James Falle, Lee Matheson, Brian Reeve and Dave Thomson, who are independent for the purposes of NI 52-110. The Investment Committee is responsible for all investment portfolios of investment assets in the Corporation. The Committee reviews and recommends to the Board formal investment policies including objectives and investment constraints; appoints and manages Investment Managers and provides guidance and oversight on investment strategy.

## **Special Committee**

A Special Committee of the Board was formed in January 2018. The Committee was comprised of three independent directors - Lee Matheson, Andrew Pastor and Brian Reeve. James Falle, as Chair of the Audit and Risk Committee, sat as an *ex-officio* member of the Special Committee. The Committee was responsible for reviewing, evaluating, considering and making recommendations for any proposals related to a transaction regarding the Corporation, including but not limited to a sale of the shares or assets of the Corporation. In November 2018 the Board, on the recommendation of the Committee, authorized the sale of the Corporation's main subsidiary, Echelon Insurance, subject to shareholder and regulatory approval.

## 8 - ADDITIONAL INFORMATION

Additional information relating to the Corporation is contained at the Corporation's website, [www.efh.ca](http://www.efh.ca) and under the Corporation's profile at SEDAR at [www.sedar.com](http://www.sedar.com), the Internet site maintained by the Canadian securities regulators.

Financial information for the Corporation's most recently completed financial year, being December 31, 2018, is provided in the Corporation's comparative financial statements for the year ended December 31, 2018, and management's discussion and analysis of such financial results.

Upon request to the Corporation, at 200 – 2800 Skymark Avenue, Mississauga, Ontario, L4W 5A6, the Corporation will send to the person or company making such request (without charge to a shareholder) a copy of the Corporation's financial statements for the year ended December 31, 2018, and any interim financial statements of the Corporation issued after December 31, 2018, together with management's discussion and analysis of such financial results.

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### **Directors' Approval**

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

Dated as of July 2, 2019.

## **SCHEDULE “A”**

### **Echelon Financial Holdings Inc. Board of Directors Mandate**

#### **1. INTRODUCTION**

- 1.1. The Board of Directors (the “Board”) of Echelon Financial Holdings Inc. (the “Company”) is responsible for the stewardship of the Company. In discharging its fiduciary duties, the Board and its members promote and act in the best interests of the Company. The Board will consider various stakeholder interests in determining whether they are acting in the best interests of the Company including the interests of shareholders, employees, suppliers, creditors, regulators, consumers and regulators.
- 1.2. The Board is responsible for the overall management and direction of the Company, oversees the conduct of the Company's business, and supervises management, which is responsible for the day-to-day operation of the Company. The Board is responsible for monitoring the affairs of the Company consistently with its duty of care and fiduciary duty.

#### **2. MANDATE**

- 2.1.1. The Board is responsible for:
  - 2.1.2. to the extent feasible, satisfying itself as to the integrity of the chief executive officer (the “CEO”) and other senior officers and ensuring that management creates a culture of integrity throughout the Company;
  - 2.1.3. adopting a strategic planning process and approving, on at least an annual basis, a strategic plan which takes into account, among other things, the opportunities and risks of the business;
  - 2.1.4. identifying the principal risks of the Company's business, and ensuring the implementation of appropriate systems to manage these risks;
  - 2.1.5. succession planning;
  - 2.1.6. establishing and promoting a culture of diversity within the Company;
  - 2.1.7. reviewing and monitoring the Company's internal control and management information systems; and
  - 2.1.8. developing the Company's approach to corporate governance, including developing a set of corporate governance principles and guidelines that are specifically applicable to the Company.

#### **3. COMPOSITION AND BOARD ORGANIZATION**

- 3.1. Directors will be elected annually by the shareholders.
- 3.2. A majority of directors comprising the Board must qualify as independent directors, as defined in section 1.4 of National Instrument 52-110 — Audit Committees (“NI 52-110”).
- 3.3. The Board will annually make recommendations to the shareholders on the size and composition of the Board.
- 3.4. The Board will elect one of its members to be the Chair of the Board. The Chair of the Board will be an independent director.
- 3.5. Certain of the Board's responsibilities may be delegated to committees. The responsibilities of those committees will be as set forth in their charters.
- 3.6. Board members shall have access to the Company's management and, as appropriate, to the Company's outside advisors. Board members shall coordinate access through the Chief Executive Officer. Board members will use judgment to assure that this access is not distracting to the business operations of the Company.

## **4. DUTIES AND RESPONSIBILITIES**

### **4.1. Managing the Affairs of the Board**

The Board operates by delegating certain of its authorities, including spending authorizations, to management, and by reserving certain powers to itself. The legal obligations of the Board are described under Section 6. Subject to these legal obligations and to the Articles of Incorporation and bylaws of the Company, the Board retains the responsibility for managing its own affairs, including:

- 4.1.1. annually reviewing the skills and experience represented on the Board in light of the Company's strategic direction and approving a Board composition plan recommended by the Governance Committee;
- 4.1.2. establishing policies for board membership tenure;
- 4.1.3. determining the composition, and appointing members, of Board committees and adopting committee charters;
- 4.1.4. determining and implementing an appropriate process for assessing the effectiveness of the Board, the Board Chair, committees and individual directors in fulfilling their responsibilities;
- 4.1.5. determining the Board meeting schedule and attendance requirements of Board members;
- 4.1.6. assessing the adequacy and form of director compensation;
- 4.1.7. assuming responsibility for the Company's governance practices;
- 4.1.8. establishing new director orientation and ongoing director education processes;
- 4.1.9. ensuring that the independent directors meet regularly without executive directors or management present;
- 4.1.10. setting the mandate and work plan of the Board; and
- 4.1.11. appointing the secretary to the Board.

### **4.2. Human Resources**

The Board has the responsibility to:

- 4.2.1. appoint the CEO, settle the CEO's responsibilities and authority, set the CEO's compensation, and plan CEO succession;
- 4.2.2. provide advice and counsel to the CEO in the execution of the CEO's duties;
- 4.2.3. annually approve corporate goals and objectives that the CEO is responsible for meeting;
- 4.2.4. monitor and, at least annually, review the CEO's performance against agreed upon annual objectives;
- 4.2.5. approve the CEO's acceptance of significant public service commitments or outside directorships;
- 4.2.6. consult with the CEO, as needed, on decisions relating to senior management, including:
  - a. senior management structure including such duties and responsibilities to be assigned to officers of the Company;
  - b. the appointment and discharge of the officers of the Company who report to the CEO;
  - c. compensation plans for senior management including salary, incentive, benefit, and pension plans; and
  - d. employment contracts, termination, and other special arrangements with executive officers, or other employee groups;
- 4.2.7. approve certain matters relating to employees generally, including:
  - a. the Company's broad compensation strategy and philosophy;
  - b. new benefit programs or material changes to existing programs; and
- 4.2.8. ensure succession planning programs are in place, including programs to train and develop management.

### **4.3. Strategy and Plans**

The Board has the responsibility to:

- 4.3.1. adopt and periodically review a strategic planning process for the Company;
- 4.3.2. participate with management in the development of, and annually approve, a strategic plan for the Company that takes into consideration, among other things, the risks and opportunities of the business;

- 4.3.3. approve annual capital and operating budgets that support the Company's ability to meet its strategic objectives;
- 4.3.4. direct management to develop, implement, and maintain a reporting system that accurately measures the Company's performance against its business plans; and
- 4.3.5. approve material divestitures and acquisitions.

#### **4.4. Financial and Corporate Issues**

The Board has the responsibility to:

- 4.4.1. take reasonable steps to ensure the implementation and integrity of the Company's internal control and management information systems;
- 4.4.2. review and approve release by management of any materials reporting on the Company's financial performance or providing guidance on future results to its shareholders and ensure the disclosure accurately and fairly reflects the state of affairs of the Company, and is in accordance with generally accepted accounting principles, including interim results, press releases, and interim financial statements, any guidance provided by the Company on future results, Company information circulars, annual information forms, annual reports, offering memoranda and prospectuses;
- 4.4.3. declare dividends;
- 4.4.4. approve financings, issue and repurchase of shares, issue of debt securities, listing of shares and other securities, issue of commercial paper, and related prospectuses and recommend changes in authorized share capital to shareholders for their approval;
- 4.4.5. approve the incurring of any material debt by the Company outside the ordinary course of business;
- 4.4.6. based upon recommendations of the Governance Committee, annually nominate directors for Board membership;
- 4.4.7. approve the commencement or settlement of litigation that may have a material impact on the Company; and
- 4.4.8. recommend the appointment of external auditors and approve auditors' work plans and fees.

#### **4.5. Business and Risk Management**

The Board has the responsibility to:

- 4.5.1. ensure management identifies the principal risks of the Company's business and implements appropriate systems to manage these risks; and
- 4.5.2. evaluate and assess information provided by management and others about the effectiveness of risk management systems.

#### **4.6. Policies and Procedures**

The Board has the responsibility to:

- 4.6.1. approve and monitor, through management, compliance with all significant policies and procedures that govern the Company's operations;
- 4.6.2. approve and act as the guardian of the Company's corporate values, including:
  - a. approve and monitor compliance with a Code of Ethics for the Company and ensure it complies with applicable legal or regulatory requirements;
  - b. require management to implement procedures to monitor compliance with the Code of Ethics and to report to the Board through the Audit and Risk Committee; and
  - c. disclose any waivers granted from provisions of the Code of Ethics in a manner that meets or exceeds regulatory requirements;
- 4.6.3. direct management to ensure the Company operates at all times within applicable laws and regulations and to the highest ethical and moral standards; and
- 4.6.4. regularly review and revise, as needed, Board policies and required Company governance and risk management documentation.



#### **4.7. Compliance Reporting and Corporate Communications**

The Board has the responsibility to:

- 4.7.1. ensure the Company implements effective policies and processes for communication with shareholders, other stakeholders, and regulatory agencies;
- 4.7.2. approve and periodically review the Company's communications policy, including the Disclosure Policy;
- 4.7.3. ensure the Board implements measures to receive feedback from shareholders;
- 4.7.4. approve interaction with shareholders on all items requiring shareholder response or approval;
- 4.7.5. ensure the Company's financial results are reported fairly, in accordance with generally accepted accounting principles, and are adequately reported to shareholders, other stakeholders, and regulators on a timely and regular basis;
- 4.7.6. ensure the CEO and chief financial officer certify the Company's annual and interim financial statements, annual and interim MD&A and Annual Information Form, and that the content of the certification meets all legal and regulatory requirements;
- 4.7.7. ensure timely reporting of any other developments that have a significant and material effect on the Company; and
- 4.7.8. report annually to the shareholders on the Board's stewardship for the preceding year.

#### **5. COMMITTEES**

5.1. To assist it in exercising its responsibilities, the Board has established three standing committees of the Board:

- 5.1.1. Audit and Risk Committee,
- 5.1.2. Governance Committee, and
- 5.1.3. Investment Committee.

The Audit and Risk Committee and the Governance Committee shall each be composed entirely of "independent" directors (as such term is defined in NI 52-110).

The Board may establish other committees, from time to time.

- 5.2. The Company may also establish a Disclosure Committee which will not be a committee of the Board and whose membership may include non-directors.
- 5.3. Every committee shall have a written charter. At a minimum, each charter shall clearly establish the committee's purpose, responsibilities, member qualifications, member appointment and removal, structure and operations (including any authority to delegate to individual members and subcommittees), and manner of reporting to the Board. Each charter shall be reviewed by the Board on at least an annual basis.
- 5.4. The Board is responsible for appointing directors to each committee, in accordance with the written charter for each committee.

#### **6. GENERAL LEGAL OBLIGATIONS**

6.1. The Board is responsible for:

- 6.1.1. directing management to ensure legal requirements have been met, and documents and records have been properly prepared, approved and maintained;
- 6.1.2. recommending changes in the Articles of Incorporation and bylaws, matters requiring shareholder approval, and setting agendas for shareholder meetings; and
- 6.1.3. supervising the management of the business and affairs of the Company.

6.2. The Ontario Business Corporations Act identifies the following as legal requirements for each member of the Board (in addition to any statute or rule of law or equity relating to duties or liabilities of directors):

- 6.2.1. to act honestly and in good faith with a view to the best interests of the Company;
- 6.2.2. to exercise the care, diligence, and skill that a reasonably prudent individual would exercise in comparable circumstances; and
- 6.2.3. to act in accordance with the Ontario Business Corporations Act and any regulations thereto, and the Articles of Incorporation and bylaws of the Company.

## Schedule “B”

### DIRECTOR RECRUITMENT, SELECTION AND NOMINATION PROCESS

#### Overview

The Nominating Committee of the Board of Directors of the Company, is responsible for identifying, screening and recommending candidates to the Board to become members of the Company’s Board of Directors, considering advice and recommendations from others as it deems appropriate and will review and approve management recommended changes to subsidiary Boards prior to the appointment of Board candidates. The Governance Committee appointed the members of the “Nominating Committee”.

In addition the Nominating Committee of the Company’s Board of Directors is responsible for implementing the Board and Company policy on diversity within the scope of its mandate, when recruiting directors to the Board. In considering new Board appointments, diversity is one of the key criteria considered by the Nominations Committee. The Board continually reviews its composition having regard to the present and future needs of the Company and the Board’s structure, including the balance of expertise, and skills, personal attributes and backgrounds brought by individual directors and their length of service, where continuity and experience can add significantly to the strength of the Board. Diversity is important to us as we believe that only through access to the most diverse pool of talent will we recruit and retain the most talented individuals to serve on our Board.

All nominating responsibilities and procedures will be in accordance with local regulatory requirements, and will take into consideration, advice and recommendations from others as it deems appropriate.

Potential candidates are identified by the Nominating Committee through a variety of means, including the use of search firms, recommendations of Board members, recommendations of executive officers and shareholder recommendations.

#### Director Recruitment

The Chairman of the Board, the Nominating Committee, or other Board members, identify the need to add new members to the Board or to the Board of a subsidiary. The Nominating Committee reviews the Board Capability and Board Dynamics Matrix framework which identifies the appropriate specific criteria required for new and current directors to ensure a fit with both the current and future strategic needs of the business and the characteristics that contribute to a healthy and dynamic board culture.

#### Director Selection

*Phase 1:* The Nominating Committee Chair initiates a search working with staff support and seeking input from the members of the Board and senior management and hiring a search firm, if necessary. Board candidates can be found through various sources, including the Registrar at the Institute of Corporate Directors.

*Phase 2:* The Nominating Committee meets and reviews the resumes of potential candidates and makes a selection of those candidates who have the skills and the experiences that the Board is seeking to fill in.

*Phase 3:* The Nominating Committee invites the candidates selected in Phase 2 to an interview and after completing these interviews recommends the candidates that meet the required criteria. A structured interview guide is used for consistency purposes. Candidates may be invited to meet the CEO for an informal discussion in regards to the business and relationship between the Board and Management.

*Phase 4:* After reviewing in aggregate the Candidates’ assessments, the Nominating Committee makes a recommendation on the nomination of the chosen candidate(s) to the Board at the next Board meeting.

*Phase 5:* Once the candidates confirm they wish to have their names put forward for nomination, the candidates are screened for potential conflicts of interest and adherence to the Responsible Person Assessment Policy and OSFI guideline E17.

*Phase 6:* The Board reviews the recommendations of the Nominating Committee and formally nominates a candidate(s) for election to the Board, having confirmed the candidate’s willingness to stand for election. The Board Chair, on behalf the Board, invites the candidate(s) to have their name stand for nomination and consent to resign if majority voting threshold for election is not met.