

**Notice of Annual and  
Special General Meeting  
of Shareholders to be  
held on**

**Friday, December 11, 2020**

**November 3, 2020**  
in respect of the financial year  
ended December 31, 2019

# ECHELON FINANCIAL HOLDINGS INC.

## Notice of Annual and Special General Meeting of Shareholders December 11, 2020

Notice is hereby given that the annual and special general meeting of the holders of common shares of Echelon Financial Holdings Inc. (the "Corporation") will be held on December 11, 2020 at 11:00 a.m. EST for the following purposes:

1. to receive the Corporation's audited consolidated financial statements for the financial year ended December 31, 2019, 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 approve the name change of Echelon Financial Holdings Inc. to EFH Holdings Inc.
5. to transact such other business as may properly come before the meeting or any adjournment thereof.

Due to the unprecedented public health impact of COVID-19 outbreak, we will hold our Meeting this year in a virtual-only meeting format. Registered shareholders and duly appointed proxyholders can attend the meeting online at <https://web.lumiagm.com/236549296> where they can participate, vote, or submit questions during the meeting's live webcast. Detailed information on how to participate in the virtual meeting is included in the Management Information Circular. 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., 8th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1 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. Shareholders can also vote by calling toll free number 1-866-732-8683, online at [www.investorvote.com](http://www.investorvote.com) or at the meeting. 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 no later than 11 a.m. (Toronto time) on December 9, 2020, 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 3rd day of November, 2020.  
By Order of the Board of Directors

(signed) Teddy Chien  
Secretary

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# 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 and special general meeting of the holders of common shares (the “Common Shares”) to be held on the 11<sup>th</sup> day of December, 2020 (the “Meeting”), or at any adjournment thereof, it is expected that the solicitation will be primarily by mail, but proxies may also be solicited by email or personally, by advertisement or by telephone by directors, officer or employees of the Corporation without special compensations, 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.

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., 8th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1 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. Shareholders can also vote by calling toll free number 1-866-732-8683, online at [www.investorvote.com](http://www.investorvote.com) or at the meeting. 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 no later than 11 a.m. (Toronto time) on December 9, 2020, 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 at the Meeting

Shareholders and duly appointed proxyholders can attend the meeting online by going to <https://web.lumiagm.com/236549296>.

- Registered Shareholders and duly appointed proxyholders can participate in the meeting by clicking “I have a login” and entering a Username and Password before the start of the meeting.
- Registered Shareholders - The 15-digit control number located on the form of proxy or in the email notification you received is the Username and the Password is “echelon2020”.
- Duly appointed proxyholders – Computershare will provide the proxyholder with a Username after the voting deadline has passed. The Password to the meeting is “echelon2020”.
- Voting at the meeting will only be available for Registered Shareholders and duly appointed proxyholders. Non-Registered Shareholders who have not appointed themselves may attend the meeting by clicking “I am a guest” and completing the online form.

Shareholders who wish to appoint a third party proxyholder to represent them at the online meeting must submit their proxy or voting instruction form (as applicable) prior to registering their proxyholder. Registering the proxyholder is an additional step once a shareholder has submitted their proxy/voting instruction form. Failure to register a duly appointed proxyholder will result in the proxyholder not receiving a Username to participate in the meeting. To register a proxyholder, shareholders MUST visit <http://www.computershare.com/Echelon> by 11 a.m. (Toronto time) on December 9, 2020 and provide Computershare with their proxyholder's contact information, so that Computershare may provide the proxyholder with a Username via email.

It is important that you are connected to the internet at all times during the meeting in order to vote when balloting commences.

In order to participate online, shareholders must have a valid 15-digit control number and proxyholders must have received an email from Computershare containing a Username.

### **Participating at the Meeting**

The meeting will be hosted online by way of a live webcast. Shareholders will not be able to attend the meeting in person. A summary of the information shareholders will need to attend the online meeting is provided below. The meeting will begin at 11:00 a.m. on December 11, 2020.

- Registered Shareholders that have a 15-digit control number, along with duly appointed proxyholders who were assigned a Username by Computershare Investor Services Inc. (“Computershare”) (see details under the heading “Appointment of Proxyholder”), will be able to vote and submit questions during the meeting. To do so, please go to <https://web.lumiagm.com/236549296> prior to the start of the meeting to login. Click on “I have a login” and enter your 15-digit control number or Username along with the password “echelon2020”. Non-Registered Shareholders who have not appointed themselves to vote at the meeting, may login as a guest, by clicking on “I am a Guest” and complete the online form.
- United States Beneficial holders: To attend and vote at the virtual Meeting, you must first obtain a valid legal proxy from your broker, bank or other agent and then register in advance to attend the Meeting. Follow the instructions from your broker or bank included with these proxy materials, or contact your broker or bank to request a legal proxy form. After first obtaining a valid legal proxy from your broker, bank or other agent, to then register to attend the Meeting, you must submit a copy of your legal proxy to Computershare. Requests for registration should be directed to:

Computershare  
 100 University Avenue  
 8th Floor  
 Toronto, Ontario  
 M5J 2Y1  
 OR  
 Email at [uslegalproxy@computershare.com](mailto:uslegalproxy@computershare.com)

- Requests for registration must be labeled as “Legal Proxy” and be received no later than December 9, 2020 by 11 a.m. (Toronto time). You will receive a confirmation of your registration by email after we receive your registration materials. You may attend the Meeting and vote your shares at <https://web.lumiagm.com/236549296> during the meeting. Please note that you are required to register your appointment at <http://www.computershare.com/Echelon>. Non-Registered Shareholders who do not have a 15-digit control number or Username will only be able to attend as a guest, which allows them to listen to the meeting but will not be able to vote or submit questions.
- If you are using a 15-digit control number to login to the online meeting and you accept the terms and conditions, you

will be revoking any and all previously submitted proxies. However, in such a case, you will be provided the opportunity to vote by ballot on the matters put forth at the meeting. If you DO NOT wish to revoke all previously submitted proxies, do not accept the terms and conditions, in which case you can only enter the meeting as a guest.

- If you are eligible to vote at the meeting, it is important that you are connected to the internet at all times during the meeting in order to vote when balloting commences. It is your responsibility to ensure connectivity for the duration of the meeting.

## **Record Date**

The Board of Directors has fixed November 10, 2020 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.

## **Share Capital and Principal Shareholders**

### **Voting Shares**

As at November 3, 2020, 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.

To the knowledge of the directors and executive officers of the Corporation, as at November 3, 2020, 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

## **2 - GENERAL INFORMATION**

### **Financial Statements and Auditor's Report**

A copy of the Corporation's 2019 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, 2019 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 website [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 the press releases and the Annual Information Form dated March 23, 2020 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 November 3, 2020.

## **3 – MATTERS TO BE ACTED UPON AT MEETING**

### **Election of Directors**

The number of directors to be elected at the Meeting is five (5). 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.

The Board adopted a Majority Voting policy that 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. 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.

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 of November 3, 2020.

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

<b>Nominee Name and Place of Residence</b>	<b>Principal Occupation</b>	<b>Director Since</b>	<b>Common Shares</b>
James Falle <sup>(1)</sup> Ontario, Canada	Corporate Director	May 2017	-
Serge Lavoie Quebec, Canada	President and Chief Executive Officer of Corporation	May 2015	445,223
Sharon Ranson <sup>(2)</sup> Ontario, Canada	President, The Ranson Group Inc. (investment)		79,000
Robert Ghiz PEI, Canada	President and CEO, Canadian Wireless Telecommunications Association		148,100
Murray Wallace Ontario Canada	Corporate Director	December 2015	79,000

(1) James Falle is Chair of the Audit and Risk Committee, together with Brian Reeve and Andrew Pastor as members. Mr. Reeve and Mr. Pastor are not seeking re-election  
(2) Sharon Ranson was a director from May 2016 to August 2019.

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

Robert Ghiz has been President and CEO of the Canadian Wireless Telecommunications Association since 2017. Prior to that, he was business advisor to Gowling WLG, an international law firm. From 2007 to 2015, Mr. Ghiz was Premier of Prince Edward Island in Canada.

Sharon Ranson has been the President of the Ranson Group since its founding in 2003. She is currently a director of Sprott Inc., Continental Bank of Canada and Borrowell Inc. She has previously served as director and audit committee member for Central Gold Trust, CI Investments Inc., MEGA Brand and several corporate subsidiaries of Western Financial Group.

*(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 ten (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 a 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 ten (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 to 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.

Information concerning fees paid to PricewaterhouseCoopers LLP for services rendered to the Company during 2019 can be found in the Company's Annual Information Form for the year ended December 31, 2019, dated March 23, 2020, (the "AIF") under the heading "Audit and Risk Committee Information – External Auditor's". 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.

### **To approve the name change of Echelon Financial Holdings Inc. to EFH Holdings Inc.**

**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 name change of Echelon Financial Holdings Inc. to EFH Holdings Inc.**

On February 18, 2020, the Board of Directors approved a resolution which, among other things, authorized a change of the Corporation's name (the "**Name Change**").

At the Meeting, the shareholders will be asked to consider and, if deemed advisable, to approve, with or without variation, a special resolution authorizing the Corporation to file articles of amendment under the *Business Corporations Act* (Ontario) (the "**OBCA**") to change the name of the Corporation from "Echelon Financial Holdings Inc." to "EFH Holdings Inc.", or to such other name as the Board of Directors deems appropriate and as may be approved by applicable regulatory authorities. After the sale of Echelon Insurance, the Corporation can only use Echelon in its name until December 31, 2020.

The OBCA requires that the Name Change be approved by a special resolution of shareholders, either in person or by proxy at the Meeting. Shareholders will be asked to consider and, if thought advisable, to authorize and approve the special resolution authorizing the Name Change (the "**Name Change Resolution**").

Under the OBCA, the shareholders do not have any dissent and appraisal rights with respect the Name Change Resolution.

The following is the text of the special resolution, which will be put forward for approval by the shareholders at the Meeting:

"NOW THEREFORE BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

1. the Corporation is hereby authorized to file Articles of Amendment pursuant to the *Business Corporations Act* (Ontario) to change its name from "Echelon Financial Holdings Inc." to "EFH Holdings Inc.", or such other name that the Board of Directors deems appropriate and as may be approved by applicable regulatory authorities, if the Board of Directors considers it to be in the best interest of the Corporation to implement such a name change;
2. notwithstanding that this resolution has been duly passed by the shareholders of the Corporation, the Board of Directors is hereby authorized and empowered, if it decides not to proceed with this resolution, to revoke this resolution in whole or in part at any time prior to it being given effect without further notice to, or approval of, the shareholders; and
3. any one director or officer of the Corporation, for and on behalf of the Corporation, is hereby authorized and directed to do all such acts and things and to execute and deliver under the corporate seal or otherwise all documents and instruments and take all such other actions as may be necessary or desirable to implement this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such documents and instruments and the taking of any such actions."



A change of the Corporation's name will not by itself affect in any way the validity of currently outstanding Common Shares of the Corporation or the trading of the Corporation's securities. Shareholders will not be required to surrender or exchange any certificates representing securities of the Corporation that they currently hold. If the Name Change Resolution is approved by shareholders as set out below, and the Board determines to proceed with the Name Change, the Corporation will, as soon as practicable thereafter, file an amendment to its Articles of Incorporation with the Ontario Ministry of Government Services to give effect to the Name Change.

## 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 2019 compensation for the NEOs is set out below in the *Summary Compensation* table. 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, 2019.

Prior to June 1, 2019 all NEOs were employed by Echelon Insurance. Echelon Insurance was sold to CAA Club Group on May 31, 2019. Since June 1, 2019 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. Mr. Lavoie is entitled to a bonus equal to 100% of his salary and Mr. Chien is entitled to a bonus equal to 50% of his salary if certain performance targets are met at the Corporation or subsidiary level. Mr. Lavoie also has an agreement to be compensated if further distribution to shareholders exceeds \$5.61 per share as follows: Further distribution per share minus \$5.61 multiply by 160,385. Other than the above, Mr. Lavoie and Mr. Chien are not entitled to any other components of the executive compensation described below.

### 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 high-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	2019	761,319	1,294,841	--	782,844	51,045	2,890,049
	2018	406,692	410,005	--	138,223	27,531	984,451
	2017	394,923	356,810	238,172	125,000	19,746	1,134,651
Teddy Chien Chief Financial Officer <sup>(1)</sup>	2019	369,282	86,479	--	145,371	13,442	614,574
	2018	183,681	17,540	--	36,618	9,184	247,023
	2017	177,426	17,847	38,625	45,630	8,975	288,503
Patrick Espeut Interim Chief Financial Officer <sup>(2) (3)</sup>	2019	73,095	121,610	--	86,046	3,351	284,102
	2018	143,042	21,526	--	49,445	7,152	221,165
	2017	138,210	11,054	--	41,041	6,910	197,215
Ken Coulson Vice President & General Counsel <sup>(3)</sup>	2019	131,821	357,691	--	232,684	5,509	727,705
	2018	255,433	115,314	--	68,557	12,032	451,336
	2017	244,847	117,720	59,543	84,432	12,242	518,784
Eric Millaire-Morin Chief Actuary <sup>(3) (4)</sup>	2019	97,674	181,818	--	166,236	4,886	450,614
	2018	232,385	82,251	--	25,629	11,619	351,884
	2017	77,423	16,625	--	22,500	3,308	103,230
Joe Colby Vice President Claims <sup>(3) (4)</sup>	2019	97,717	183,043	--	166,236	4,886	451,882
	2018	226,956	79,531	--	13,630	11,348	331,465
	2017	64,904	26,600	--	30,000	3,029	124,533

<sup>(1)</sup> Chief Financial Officer since June 1, 2019.

<sup>(2)</sup> Patrick Espeut served as Interim Chief Financial Officer from October 2018 to May, 2019.

(3) The figures provided for 2019 represent the time period from January 1, 2019 to May 31, 2019 when these individuals were employees of Echelon Insurance which was a wholly owned subsidiary of the Company prior to June 1, 2019

(4) Joined 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% - 1.5%; (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 Internal Financial Reporting Standards.

### **Components of Executive Compensation prior to June 1, 2019**

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 a 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.

#### **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 2019 STIP formula for all employees is indicated below:

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

#### **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 May 31, 2019.

### **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.

On May 31, 2019, the Board of Directors cancelled all outstanding unvested stock options.

### **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 objective 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.

### **Governance Committee**

Effective June 1, 2019, all directors sit as members of the 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 working 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 NEO or Director.

#### **Compensation Structure and Decision-Making Process**

The design of the Corporation's executive compensation programs and practices is based on the Compensation Framework and is overseen by the Governance Committee. The 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 1st. 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 levers, 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. No compensation was paid to external firms in 2019 for target compensation consulting. 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, include 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 eight (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. The comparator group is as follows:

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.

#### **Outstanding Option-Based and Share-Based Awards**

As at December 31, 2019, there were no option-based and share-based awards outstanding.

### 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, 2019.

Name	Option-based awards Value vested during the year (\$)	Share-based awards Value vested during the year (\$)	Non-equity incentive plan compensation Value earned during the year (\$)
Serge Lavoie	--	1,294,841	782,844
Teddy Chien	-	86,479	145,371
Patrick Espeut	-	121,610	86,046
Ken Coulson	-	357,691	232,684
Eric Millaire-Morin	--	181,818	166,236
Joe Colby	--	183,043	166,236

As noted above, all unvested Share Units vested on May 31, 2019. They vested at the five-day volume Weighted Average Price of \$13.73 per share. The unvested stock options were cancelled on May 31, 2019.

#### 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.

All group benefit plans were cancelled after May 31, 2019 except for the health and dental plans.

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.

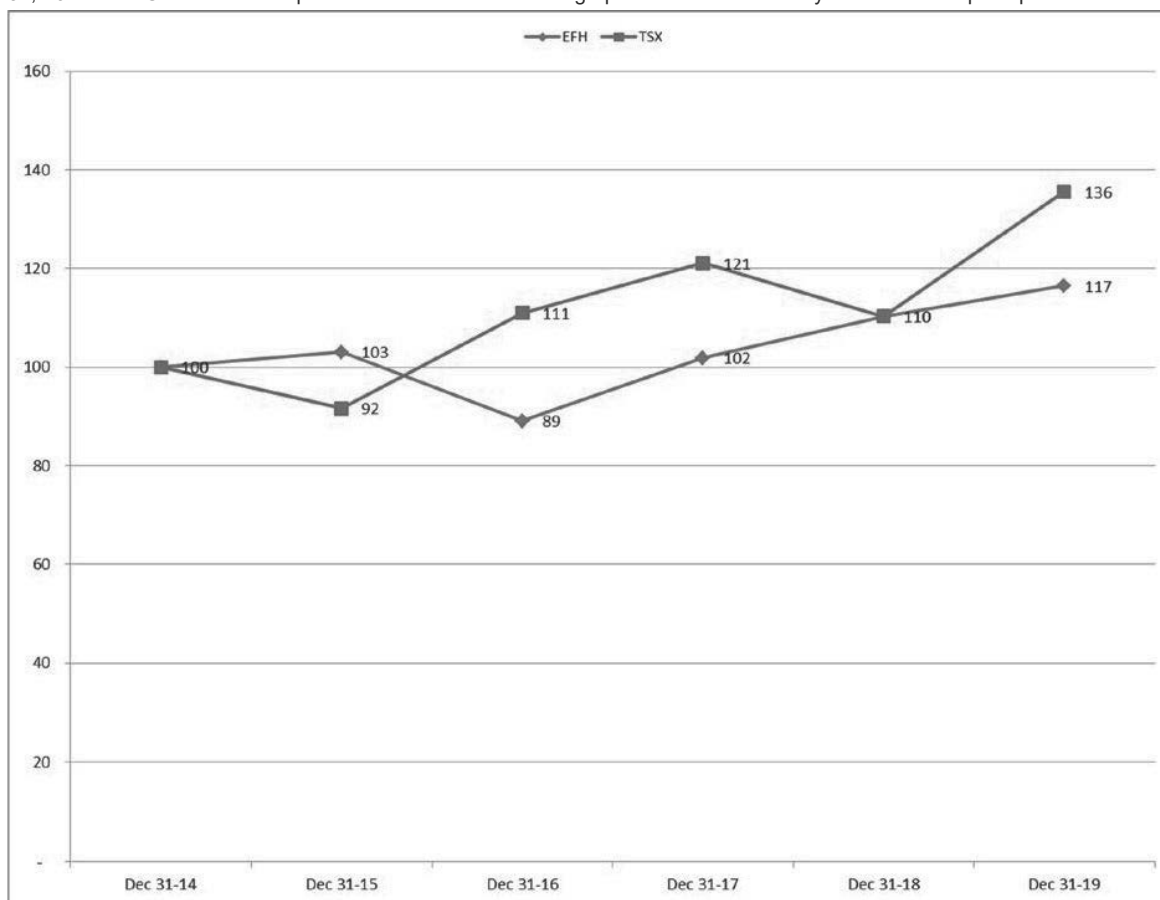
#### Termination and Change of Control Benefits

Effective June 1, 2019, Mr. Lavoie and Mr. Chien entered into fixed term employments 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.

On May 31, 2019, upon the sale of Echelon Insurance, Mr. Lavoie and Mr. Chien received termination benefits which have been included in the compensation summary.

## 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, 2014, as compared with the cumulative return on a \$100 investment in the S&P/TSX Index made on December 31, 2014. The Common Share performance as set out in the graph does not necessarily indicate future price performance.



	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019
Common Shares	100	103	89	102	110	117
S&P/TSX Index	100	92	111	121	110	136

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 August 2019.

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, 2019, Directors of the Corporation who were not officers or employees of the Corporation received compensation totaling \$549,583. Directors were entitled to be paid annual retainers before September 1, 2019 as follows:

Director Retainer	\$75,000	Governance Committee Chair Retainer	\$20,000
Board Chair Retainer	\$45,000	Investment Committee Chair Retainer	\$10,000
Audit and Risk Committee Chair Retainer	\$20,000		

Commencing September 31, 2019 annual retainers for directors were as follows:

Director Retainer	\$35,000	Board Chair Retainer	\$15,000
Audit and Risk Committee Chair Retainer	\$5,000		

#### Director Compensation Earned (January 1, 2019 – December 31, 2019)

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>(1)</sup>	65,000	16,250	--	81,250	69,375	11,875
Lee Matheson	65,000	--	--	65,000	46,250	18,750
Andrew Pastor <sup>(2)</sup>	65,000	7,500	--	72,500	51,250	21,250
Gary Quon <sup>(5)</sup>	50,000	--	--	50,000	40,625	9,375
Sharon Ranson <sup>(5)(3)</sup>	50,000	13,333	--	63,333	51,458	11,875
Brian Reeve <sup>(4)</sup>	65,000	--	--	65,000	65,000	--
David Thomson <sup>(5)</sup>	50,000	--	--	50,000	40,625	9,375
Murray Wallace <sup>(6)</sup>	102,500	--	--	102,500	72,500	30,000

(1) Chair of the Audit and Risk Committee.

(2) Chair of the Investment Committee.

(3) Chair of the Governance Committee.

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

(5) Effective August, 2019 (AGM), David Thomson, Sharon Ranson and Gary Quon stepped down from the EFH Board.

(6) Board Chair

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. 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 corporation existence.

On June 1, 2019, 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 May 31, 2019:

Director	Redemption Value on May 31, 2019	Director	Redemption Value on May 31, 2019
James Falle	\$113,539	Sharon Ranson	\$202,733
Lee Matheson	\$117,186	David Thomson	\$76,406
Andrew Pastor	\$275,341	Murray Wallace	\$391,842
Gary Quon	\$76,406		

### 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, 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 2019 for this coverage was \$144,734.

## 5 – EQUITY COMPENSATION PLAN INFORMATION

### Equity Compensation Plan Information

The following table sets out aggregate information as at December 31, 2019, concerning securities authorized for issuance under equity compensation plans.

Plan Category	Number of Securities to be issued upon Exercise of Options, Warrants and Rights (a)	Weighted – Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in (a)) (c)
Equity Compensation Plans Approved by Security Holders	-	-	1,192,591
Equity Compensation Plans Not Approved by Security Holders	-	-	-
<b>Total</b>	-	-	1,192,591

## 6 – 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.

## 7 – 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, for National Instrument 52-110 – Audit Committees (“NI 52-110”). Disclosure with respect to NI-52-110 is contained in the Corporation’s AIF filed March 23, 2020.

### **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.

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 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.

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.

### **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 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 qualification. 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 judgement 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 judgement. 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 2019 the Board met in camera 4 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, 2019 and December 31, 2019. 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
	7 MEETINGS HELD	4 MEETINGS HELD	2 MEETINGS HELD	2 MEETINGS HELD
James Falle	7	4	0	2
Serge Lavoie	7	0	2	2
Andrew Pastor	6	2	2	2
Gary Quon <sup>(1)</sup>	5	2	2	0
Sharon Ranson <sup>(1)</sup>	4	2	2	0
Brian Reeve	7	2	2	2
David Thomson <sup>(1)</sup>	4	2	0	2
Murray Wallace	7	0	2	2
Lee Matheson	6	0	0	2

<sup>(1)</sup> Not a director after AGM held in August, 2019.

#### Direct 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 NE 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 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 services 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, no Directors of the Corporation serve on the boards of directors of other public companies.

### **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 November 3, 2020, the Corporation has no director or executive officer who is a woman.

## **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, 2019, is provided in the Corporation's comparative financial statements for the year ended December 31, 2019, 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, 2019, and any interim financial statements of the Corporation issued after December 31, 2019 together with management's discussion and analysis of such financial results.

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### **Director's Approval**

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

Dated as of November 3, 2020

**SCHEDULE A**

**Board of Directors Mandate**



<b>VERSION CONTROL</b>	
<b>Responsible Person/Contact:</b>	Teddy Chien CFO
<b>Approved by : Audit &amp; Risk Committee</b>	
<b>Approved by: Board of Directors</b>	
<b>Last Review Date:</b>	November 2019
<b>Next Review Date:</b>	November 2020



## **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**

The Board is responsible for:

- 2.1.1 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;
- 2.1.2 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;
- 2.1.3 identifying the principal risks of the Company's business, and ensuring the implementation of appropriate systems to manage these risks;
- 2.1.4 succession planning;
- 2.1.5 establishing and promoting a culture of diversity within the Company;
- 2.1.6 reviewing and monitoring the Company's internal control and management information systems; and
- 2.1.7 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



3.7 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;
- 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 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 one standing committee of the Board:

5.1.1 Audit and Risk Committee

The Audit and Risk Committee shall 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 of 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.

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