



**ANNUAL INFORMATION FORM**

**March 26, 2021**



## ANNUAL INFORMATION FORM

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## Forward-Looking Information

*This annual information form contains “forward-looking information” within the meaning of Canadian provincial securities laws and “forward-looking statements” within the meaning of applicable Canadian securities regulations. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, include statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of Trisura Group Ltd. (“**Trisura Group**” and together with its subsidiaries, “**our Company**”) and its subsidiaries, as well as the outlook for North American and international economies for the current fiscal year and subsequent periods, and include words such as “expects,” “anticipates,” “plans,” “believes,” “estimates,” “seeks,” “intends,” “targets,” “projects,” “forecasts” or negative versions thereof and other similar expressions, or future or conditional verbs such as “may,” “will,” “should,” “would” and “could”.*

*Although we believe that our anticipated future results, performance or achievements expressed or implied by the forward-looking statements and information are based upon reasonable assumptions and expectations, the reader should not place undue reliance on forward-looking statements and information because they involve known and unknown risks, uncertainties and other factors, many of which are beyond our control, which may cause the actual results, performance or achievements of Trisura Group to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements and information.*

*Factors that could cause actual results to differ materially from those contemplated or implied by forward-looking statements include, but are not limited to: developments related to COVID-19, including the impact of COVID-19 on the economy and global financial markets; the impact or unanticipated impact of general economic, political and market factors in the countries in which we do business; the behaviour of financial markets, including fluctuations in interest and foreign exchange rates; global equity and capital markets and the availability of equity and debt financing and refinancing within these markets; strategic actions including dispositions; the ability to complete and effectively integrate acquisitions into existing operations and the ability to attain expected benefits; changes in accounting policies and methods used to report financial condition (including uncertainties associated with critical accounting assumptions and estimates); the ability to appropriately manage human capital; the effect of applying future accounting changes; business competition; operational and reputational risks; technological change; changes in government regulation and legislation within the countries in which we operate; governmental investigations; litigation; changes in tax laws; changes in capital requirements; changes in reinsurance arrangements; ability to collect amounts owed; catastrophic events, such as earthquakes, hurricanes or pandemics; the possible impact of international conflicts and other developments including terrorist acts and cyberterrorism; and other risks and factors detailed from time to time in our documents filed with securities regulators in Canada.*

*We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Except as required by law, Trisura Group undertakes no obligation to publicly update or revise any forward-looking statements or information, whether written or oral, that may be as a result of new information, future events or otherwise.*



## ANNUAL INFORMATION FORM

Unless otherwise specified herein, the information in this annual information form is presented as at December 31, 2020 and all dollar amounts are expressed in Canadian dollars.

References in this annual information form to “we”, “us”, “our” and “our Company” refer to Trisura Group, together with its subsidiaries.

### Corporate Profile

Trisura Group is a leading international specialty insurance provider operating in the Surety, Risk Solutions, Corporate Insurance, Fronting and Reinsurance niche segments of the market. Our operating subsidiaries include a Canadian specialty insurance company, Trisura Guarantee Insurance Company (“**Trisura Guarantee**”), a US specialty insurance company, Trisura Specialty Insurance Company (“**Trisura Specialty**”), and an international reinsurance company, Trisura International Insurance Ltd. (“**Trisura International**”). Our Canadian specialty insurance subsidiary started writing business in 2006 and has a strong underwriting track record over its 14 years of operation. Our US specialty insurance company has participated as a hybrid fronting entity in the non-admitted markets since early 2018 and is licensed as an excess and surplus lines insurer in Oklahoma with the ability to write business across 50 states. Our US specialty insurance company can also write business on an admitted basis in most states. Our international reinsurance business has been in operation in Barbados for more than 18 years and has commenced writing new business in support of our US subsidiary.

Additional information on Trisura Group is available on the System for Electronic Document Analysis and Retrieval (“**SEDAR**”) at [www.sedar.com](http://www.sedar.com) and on Trisura Group’s website at [www.trisura.com/group](http://www.trisura.com/group).

Trisura Group was incorporated on January 27, 2017 under the *Business Corporations Act* (Ontario) (the “**OBCA**”) by Brookfield Asset Management Inc. (“**Brookfield**”) for the sole purpose of participating in the Spin-Off (as defined below). On June 22, 2017, Brookfield distributed all of the common shares of Trisura Group (the “**Common Shares**”) to holders of Brookfield’s Class A limited voting shares (“**Brookfield Class A Shares**”) and Class B limited voting shares (“**Brookfield Class B Shares**”) by way of a special dividend (the “**Spin-Off**”). Holders of Brookfield Class A Shares and Brookfield Class B Shares received one Common Share for every 170 Brookfield Class A Shares or Brookfield Class B Shares held. The Common Shares are listed on the Toronto Stock Exchange (the “**TSX**”) under the symbol “TSU”.

Trisura Group filed articles of amendment on December 21, 2017 (the “**Consolidation Articles**”) to consolidate the Common Shares on the basis of one post-consolidation Common Share for every 10 pre-consolidation Common Shares; provided however, that the holders of less than one Common Share in the aggregate following the consolidation were entitled to receive a cash payment in exchange for such fractional Common Share. Immediately following the filing of the Consolidation Articles, Trisura Group filed further articles of amendment to subdivide the

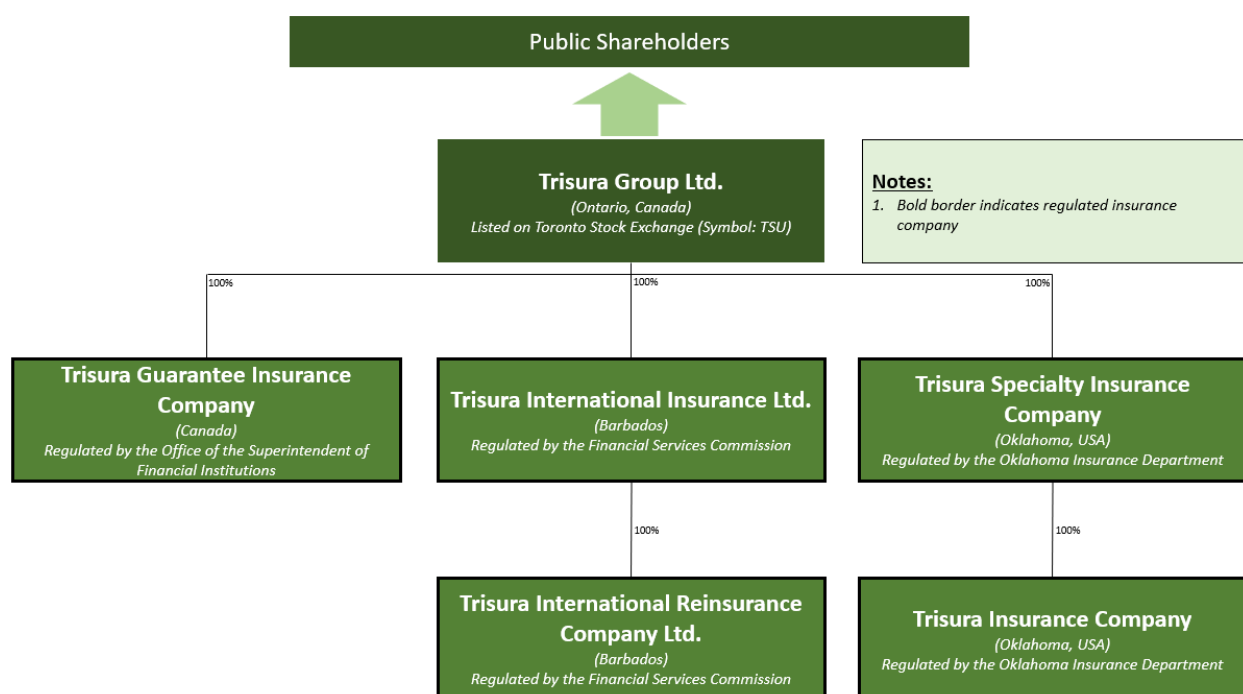
Common Shares by changing each of the issued and outstanding Common Shares into 10 Common Shares.

On May 11, 2018, Trisura Group filed further articles of amendment to (i) remove the cumulative voting provisions of the Common Shares and (ii) change the size of the board of directors of Trisura Group (the “**Board**”) from a minimum of three directors and a maximum of 15 directors to a minimum of five directors and a maximum of 10 directors.

The head and registered office of Trisura Group is 333 Bay Street, Suite 1610, Box 22, Toronto, Ontario, Canada, M5H 2R2.

## Subsidiaries

As illustrated in the following organizational chart, Trisura Group has three principal regulated subsidiaries: Trisura Guarantee, Trisura Specialty and Trisura International. Each subsidiary is directly or indirectly 100% owned by Trisura Group.



## Development of the Business

On March 14, 2018, Trisura Group finalized an arrangement to borrow up to \$35 million from a major Canadian financial institution on a revolving credit basis (the “**Credit Facility**”). The Credit Facility was arranged by way of a five-year lending facility funded through short-term bankers’ acceptances, Canadian prime rate advances, U.S. dollar base rate advances or LIBOR rate advances. The Credit Facility is secured by a general security agreement and a pledge of the outstanding common shares of Trisura Guarantee, Trisura Specialty and Trisura International. In connection with entering into the Credit Facility, the outstanding balance on a loan extended to the former parent company of Trisura Guarantee by a major Canadian financial institution on August 4, 2016 was paid off and discharged in full.

On October 16, 2018, David Clare was appointed as President and CEO of Trisura Group, succeeding Greg Morrison, who continues his involvement with our Company as a member of the Board.

On June 22, 2019, Trisura Group applied for approval from the Pennsylvania Insurance Department to acquire control of 21<sup>st</sup> Century Preferred Insurance Company (“**21<sup>st</sup> Century**”), a shell entity with 13 admitted state licenses.

On August 8, 2019, David Scotland was appointed as Chief Financial Officer of Trisura Group, succeeding Jimmy Doyle, who continues his involvement with our Company as Chief Risk Officer of Trisura Group and Chief Executive Officer of Trisura International.

On September 24, 2019, Trisura Group closed its public offering of 1,743,400 Common Shares, including 227,400 Common Shares issued pursuant to the full exercise of the underwriters’ over-allotment option, at a price of \$26.40 per Common Share, for gross proceeds of approximately \$46 million. Concurrent with the public offering, Trisura Group issued 378,788 Common Shares to Partners Value Investments LP (“**PVI**”) and an aggregate of 75,751 Common Shares to certain other investors on a private placement basis, for gross proceeds of approximately \$12 million. In total, Trisura Group received gross proceeds of approximately \$58 million from the closing of the public offering and the concurrent private placement.

On November 1, 2019, Trisura Group completed its indirect acquisition of 21<sup>st</sup> Century Preferred Insurance Company. The entity’s name was subsequently changed to Trisura Insurance Company.

On December 31, 2019, Trisura Group redeemed all outstanding Series 1 preference shares at par.

On April 1, 2020, Trisura Group amended its Credit facility to increase the Company’s borrowing capacity from \$35 million to \$50 million.

On May 15, 2020, Trisura Group closed its public offering of 1,289,150 Common Shares, including 168,150 Common Shares issued pursuant to the full exercise of the underwriters’ over-allotment option, at a price of \$46.85 per Common Share, for gross proceeds of approximately \$60 million. Concurrent with the public offering, Trisura Group issued 160,100 Common Shares to PVI on a private placement basis, for gross proceeds of approximately \$8 million. In total, Trisura Group received gross proceeds of approximately \$68 million from the closing of the public offering and the concurrent private placement.

On October 26, 2020, PVI announced the sale of 995,000 Common Shares. Upon giving effect to the transaction, PVI held approximately 7.9% of the issued and outstanding Common Shares and ceased to be a principal shareholder of our Company.

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 to be a global pandemic. To date, there have been restrictions on the conduct of business in many jurisdictions and the global movement of people and certain goods. We are closely monitoring developments related to COVID-19, including the existing and potential impact on the economy and global financial markets. Although COVID-19 has had minimal impact on our business to date, given the ongoing and dynamic nature of the circumstances surrounding COVID-19 and continuing uncertainty of its magnitude, outcome and duration, the longer-term impact of the COVID-19 pandemic on our Company, our insurance business or our financial results, if any, is

difficult to predict. These impacts may differ in magnitude depending on a number of scenarios, which we continue to monitor and take into consideration in our decision making. For further information, see the Company's latest MD&A, Section 7 – Risk Management.

## **Business of Our Company**

### *Overview*

Our Company is a leading international specialty insurance provider operating in the Surety, Risk Solutions, Corporate Insurance, Fronting and Reinsurance niche segments of the market. Our operating subsidiaries include a Canadian specialty insurance company, a US specialty insurance company and an international reinsurance company. Our Canadian specialty insurance subsidiary started writing business in 2006 and has a strong underwriting track record over its 14 years of operation. Our US specialty insurance company has participated as a hybrid fronting entity in the non-admitted markets since early 2018 and is licensed as an excess and surplus lines insurer in Oklahoma with the ability to write business across 50 states. Our US specialty insurance company can also write business on an admitted basis in most states. Our international reinsurance business has been in operation in Barbados for more than 18 years and has commenced writing new business in support of our US subsidiary. Our Canadian business is headquartered in Toronto and has branches in Vancouver, Calgary, Montreal, and Halifax, and is licensed in all provinces and territories of Canada. Its distribution network comprises over 150 contracted insurance brokerage firms operating across Canada in all provinces and territories, and includes major international, national and regional firms as well as boutique, niche brokers with a focus on specialty lines. Our US platform is headquartered in Oklahoma City and participates as a hybrid fronting entity in the non-admitted markets, licensed as an excess and surplus lines carrier with the ability to write business across 50 states. Following our acquisition of 21<sup>st</sup> Century, we can also write business in most admitted markets, and are licensed in select lines in 46 states. We are in the process of applying for admitted licenses in the remaining states. In 2020, our Company's gross premiums written were \$926 million, and net premiums written were \$241 million.

### *Specialty Property & Casualty - Canada*

Our Canadian specialty property and casualty insurance business consists of our Surety, Risk Solutions and Corporate Insurance business lines, which we write through Trisura Guarantee.

#### Surety

Surety accounted for approximately 7.7% of our total gross premiums written and 18.5% of our net premium written for the year ended December 31, 2020. The majority of products offered by the Surety business line are:

- Contract surety bonds, such as performance, labour and material payment bonds, primarily for the construction industry;
- Commercial surety bonds, such as license and permit, tax and excise, and fiduciary bonds, that are issued on behalf of commercial enterprises and professionals to governments, regulatory bodies or courts to guarantee compliance with legal or fiduciary obligations; and
- Developer surety bonds, comprising mainly bonds to secure real estate developers' legislated deposit and warranty obligations on residential projects.

## Risk Solutions

Risk Solutions accounted for approximately 14.9% of our total gross premiums written and 43.0% of our net premium written for the year ended December 31, 2020. Risk Solutions includes specialty insurance contracts which are structured, in some cases through fronting arrangements, to meet the specific requirements of program administrators, managing general agencies (“MGAs”), captive insurance companies, affinity groups and reinsurers. Our Risk Solutions business line consists primarily of warranty programs. The Risk Solutions business caters to three different client types:

- Companies that offer warranties and administer warranty programs;
- MGAs or reinsurers that require access to licensed insurance company paper; and
- Associations and groups seeking solutions for their members’ unique insurance needs.

Risk Solutions uses four different insurance structures, sometimes in combination, to address clients’ insurance requirements:

- Surety structure, where we stand behind the obligations of a warranty program administrator. In the event of the administrator’s financial failure, we will step in to ensure consumers’ warranty coverages remain intact;
- Fronting structure, where we permit our licensed status to be used by captive insurance companies, or other unlicensed insurance companies, to issue insurance policies or warranties in exchange for a fronting fee;
- Retrospectively rated policy structure, where we assume the insurance risk on a program, and the actual claims experience is used to determine the ultimate premium. The initial premium incorporates a margin over the expected claims to provide for adverse results; and
- Risk transfer structure, where we assume the risk of the underlying insurance program completely, partially (co-insuring, or sharing, the risk with the program administrator), or when losses exceed a specified amount (as in “excess of loss” insurance).

## Corporate Insurance

Corporate Insurance accounted for approximately 7.5% of our total gross premiums written and 20.3% of our net premium written for the year ended December 31, 2020. The main products offered by our Corporate Insurance business line are:

- Directors’ and officers’ liability insurance for public, private and non-profit enterprises. These are also referred to as executive liability products;
- Errors and omissions liability insurance for both enterprises and professionals. These are also referred to as professional liability products and have tailored variations for the media and technology industries and professional practices;



- Business commercial package insurance for both enterprises and professionals. This product combines commercial general liability and property insurance into one comprehensive cover for small to medium-sized enterprises or practices; and
- Fidelity insurance for both commercial entities and financial institutions.

### *Specialty Property & Casualty – United States*

Our US specialty insurance company is a non-admitted surplus line insurer in all states, primarily operating as a hybrid fronting carrier with a fee-based business model, written through Trisura Specialty. Following the acquisition of 21<sup>st</sup> Century in Q4 2019 and subsequent applications to additional states to obtain licensing, our Company has access to 46 admitted state licenses, and is applying for licenses in the remaining states. Despite having started writing business in February 2018, Trisura Specialty accounted for approximately 69.9% of our total gross premiums written and 12.8% of net premium written for the year ended December 31, 2020.

### *Reinsurance*

Our international reinsurance business ceased writing third party business in 2008 but previously wrote quota share reinsurance (prospective), loss portfolio transfers (retrospective) and niche, specialty contracts covering international risks across multiple commercial lines. Currently our international reinsurance business is managing its remaining portfolio of in-force reinsurance contracts and has commenced writing captive business in support of our US subsidiary through a newly established Barbados subsidiary. The remaining in-force portfolio of third-party reinsurance contracts is dominated by one large life annuity reinsurance contract denominated in Euros, on which annuity reserves and supporting assets change in response to interest rate changes. Reinsurance accounted for approximately 5.4% of our net premium written for the year ended December 31, 2020.

### *Distribution*

Our Company's Canadian distribution network comprises over 150 contracted insurance brokerage firms operating across Canada in all provinces and territories. These include major international, national and regional firms as well as boutique, niche brokers with a focus on specialty lines. We are selective in partnering with a limited brokerage force, focusing our efforts on those that are leading brokerage firms in the industry with expertise in specialty lines. We believe in creating positive experiences for our brokers by providing exceptional service and strong products through a solutions-oriented and expert underwriting team. Furthermore, we develop deep and lasting relationships with our brokers and work with them on a strategic level on planning for mutual success. We regularly canvass our brokers to get feedback on where we can improve.

In the U.S. market, our focus is on building strong and profitable relationships with program administrators, MGAs, insurance organizations, reinsurance companies and reinsurance intermediaries to generate business opportunities. Many of these relationships already exist with our management team and can be leveraged to source new business.

### *Competition*

Our Company is a specialty insurance provider. There are numerous competitors in the markets and geographies in which we operate.

The Surety markets are relatively concentrated. In 2019, the top five surety companies operating in Canada had a combined market share of 74%. In 2019, we stood as the fourth largest company in the Canadian surety marketplace, with a market share of 8.1%.

Our Risk Solutions business has seen stable market conditions in its segments of the marketplace. The number of competitors is limited, with few having significant market share.

Products written by our Corporate Insurance business are subject to intense competition. We continue to increase our penetration of those markets by focusing on our broker relationships and ensuring we remain in step with the ongoing product enhancements that occur in the corporate insurance industry.

We participate primarily in the Excess and Surplus markets in the U.S., which produced US\$55 billion in premiums in 2019. The fronting market is an evolving space with few established players; however, we have observed a number of new entrants enter the space.

### *Investment Management*

Our investment objectives are to produce an attractive total return on our invested assets after taxes to protect and enhance regulated underwriting capital on a long-term basis and to maintain adequate liquidity for specialty insurance operations. All investment decisions are made with the intention of providing a stable income base without producing an undue level of investment risk.

In 2018 we internalized our investment management and advisory function, allowing Trisura Group to take a centralized investments strategy across all subsidiary portfolios.

### *Employees*

Our Company has 189 employees as of December 31, 2020.

## **Risk Factors**

The risk factors of our Company are discussed in the Company's Management Discussion and Analysis for the year ended December 31, 2020, Section 7 – Risk Management, as well as in the Company's Consolidated Financial Statements for the years ended December 31, 2020, and 2019, Note 15 – Risk Management.

## **Description of Securities**

Trisura Group's authorized capital consists of:

- (a) an unlimited number of Common Shares;
- (b) an unlimited number of non-voting shares; and
- (c) an unlimited number of preference shares (issuable in series).

As of December 31, 2020, 10,268,869 Common Shares were issued and outstanding. Trisura Group has not issued any non-voting shares. Trisura Group redeemed all outstanding Series 1 preference shares at par on December 31, 2019. The Common Shares are listed on the TSX under the symbol "TSU".

Information on the terms and conditions attached to or affecting each class of Trisura Group's authorized securities is contained in Appendix 'A' of this annual information form.

## Dividends and Dividend Policy

The Board may declare dividends at its discretion but does not anticipate paying dividends on the Common Shares in the near future.

Holders of the Series 1 Preference Shares were entitled to a cumulative fixed dividend payable quarterly on the last day of March, June, September and December of each year. More information on the dividend payment rates and times is contained in Appendix 'A' of this annual information form. From the date of issuance of the Series 1 Preference Shares to December 31, 2017, our Company has declared and paid a dividend of \$0.13 per Series 1 Preference Share. From January 1, 2018 to December 31, 2018, our Company has declared and paid four quarterly dividends, each of \$0.375 per Series 1 Preference Share. From January 1, 2019 to December 31, 2019, our Company has declared and paid four quarterly dividends, each of \$0.375 per Series 1 Preference Share. Trisura Group redeemed all outstanding Series 1 preference shares at par on December 31, 2019.

## Market for Securities

### *Trading Price and Volume*

The Common Shares are listed for and posted for trading on the TSX under the symbol "TSU". The following table sets out monthly trading information for the Common Shares in 2020 based on information provided by the TSX.

<b><i>Common Shares - TSU</i></b>	<b>Price Per Common Share<sup>(a)</sup></b>		<b>Volume Traded (#)</b>
	<b><i>High</i></b> (\$)	<b><i>Low</i></b> (\$)	
<b>2020</b>			
January.....	45.01	39.26	225,302
February .....	54.50	43.11	663,417
March.....	52.42	34.00	1,044,654
April .....	41.98	35.72	254,851
May.....	52.99	39.39	442,165
June.....	61.68	50.10	318,978
July .....	83.32	61.99	460,016
August .....	93.70	78.66	463,528
September.....	96.77	76.44	391,062
October.....	93.81	83.60	407,085
November .....	95.85	79.82	805,977
December.....	90.26	79.57	723,751

**Notes:**

- (a) The high and low prices reflect the highest and lowest prices at which a board lot trade was executed in a trading session during the month.

**Directors and Officers***Directors of Trisura Group*

The directors of Trisura Group are elected by shareholders at each annual meeting of Trisura Group's shareholders, and all directors hold office for a term expiring at the close of the next annual meeting or until their respective successors are elected or appointed and will be eligible for re-election or re-appointment. As of the date of this annual information form, the Board is comprised of the six directors set out below.

The following table sets forth certain information regarding the directors of Trisura Group.

<b>Name and Municipality of Residence</b>	<b>Principal Occupation</b>	<b>Director Since</b>
DAVID CLARE <i>Toronto, Ontario, Canada</i>	President and Chief Executive Officer ("CEO") of Trisura Group	2018
PAUL GALLAGHER <sup>(a)(b)(c)</sup> <i>Toronto, Ontario, Canada</i>	Vice President, Investments of Carfin Inc.	2017
BARTON HEDGES <sup>(a)(c)</sup> <i>Stuart, Florida, United States</i>	Former director and CEO of Greenlight Capital Re, Ltd.	2017
GREG MORRISON <i>Smith's Parish, Bermuda</i>	Former President and CEO of Trisura Group	2017
GEORGE MYHAL <sup>(b)</sup> <i>Toronto, Ontario, Canada</i>	President and CEO of Windermere Investment Corporation	2018
ROBERT TAYLOR <sup>(a)(b)(c)</sup> <i>Oakville, Ontario, Canada</i>	Former Chairman and a Director of Trisura Guarantee	2018

**Notes:**

- (a) Member of the audit committee of the Board (the "Audit Committee").  
 (b) Member of the governance and compensation committee of the Board.  
 (c) Member of the risk committee of the Board.

Each of the directors has held the principal occupation referred to opposite his name during the last five years, except as set forth below:

- Prior to becoming President and CEO of Trisura Group in 2018, Mr. Clare was the Senior Vice President, Chief Investment Officer of Trisura Group. Prior to that, Mr. Clare was a Vice President at PVI.
- Prior to becoming Vice President, Investments of Carfin Inc. in 2016, Mr. Gallagher was the Chief Financial Officer ("CFO") at Wittington Investments Limited which owns a number of public and private companies including George Weston Limited, one of North

America's largest food processing and distribution groups and Selfridges Group Limited, an international fashion retail company.

- Mr. Morrison previously served as the President and CEO of Trisura Group from January 2017 to October 2018. Prior to that, Mr. Morrison had served as the Chairman of Trisura International since 2012.
- Prior to becoming the President and CEO of Windermere Investment Corporation in 2018, Mr. Myhal was the President and CEO of PVI.

### *Executive Officers of our Company*

The following table sets forth certain information regarding the executive officers of our Company.

<b>Name and Municipality of Residence</b>	<b>Position(s) with our Company</b>	<b>Principal Occupation</b>
DAVID CLARE <i>Toronto, Ontario, Canada</i>	President and CEO of Trisura Group	<i>President and CEO</i> Trisura Group
DAVID SCOTLAND <i>Toronto, Ontario, Canada</i>	CFO of Trisura Group and CFO of Trisura Guarantee	<i>CFO</i> Trisura Group
JIMMY DOYLE <i>Malahide, Dublin, Ireland</i>	Chief Risk Officer (“ <b>CRO</b> ”) of Trisura Group and President and CEO of Trisura International	<i>CRO</i> Trisura Group
CHRIS SEKINE <i>Burlington, Ontario, Canada</i>	President and CEO of Trisura Guarantee	<i>President and CEO</i> Trisura Guarantee
MICHAEL BEASLEY <i>Oklahoma City, Oklahoma, United States</i>	President and CEO of Trisura Specialty	<i>President and CEO</i> Trisura Specialty
EILEEN SWEENEY <i>Wake Forest, North Carolina, United States</i>	Executive Vice President and CFO of Trisura Specialty	<i>Executive Vice President and CFO</i> Trisura Specialty

Each of the executive officers has held the principal occupation referred to opposite his or her name during the past five years, except as set forth below:

- Prior to becoming President and CEO of Trisura Group in 2018, Mr. Clare was the Senior Vice President and Chief Investment Officer of Trisura Group. Prior to that, Mr. Clare was a Vice President at PVI.
- Prior to becoming the CFO of Trisura Group, Mr. Scotland served as CFO of Trisura Guarantee. Prior to that, Mr. Scotland was a Vice President, Finance & Controller of Trisura Guarantee.
- Prior to becoming the President and CEO of Trisura Specialty, Mr. Beasley acted as a consultant to Trisura Group. Previously, Mr. Beasley was a consultant to Great Curve

Merchant Bank, President and Vice Chairman of Red Rock Insurance Company and Chief Operating and Underwriting Officer of Western Underwriters Insurance Company.

- Prior to becoming the Executive Vice President and CFO of Trisura Specialty, Ms. Sweeney acted as a consultant to Trisura Group. Previously, Ms. Sweeney was a Partner at Great Curve Insurance Partners from 2015 to 2016.
- Mr. Sekine was appointed as President and CEO of Trisura Guarantee on April 15, 2019. Prior to that, Mr. Sekine was a Senior Vice President, Surety at Trisura Guarantee.
- Mr. Doyle was appointed as CRO of Trisura Group on August 15, 2017. Mr. Doyle also served as CFO of Trisura Group from August 15, 2017 until August 8, 2019. He has served as President and CEO of Trisura International since 2008.

#### *Ownership of Securities*

As of December 31, 2020, the directors and executive officers of our Company as a group, beneficially own, control or direct, directly or indirectly, or exercise control or direction over, an aggregate of 319,776 Common Shares, representing approximately 3.1% of the issued and outstanding Common Shares.

#### *Corporate Cease Trade Orders and Bankruptcies*

Except as set forth below, none of the current directors or executive officers of our Company, and to the best of our knowledge, no shareholder expected to hold a sufficient number of securities to affect materially the control of our Company, is, as at the date of this annual information form, or has been within the 10 years before the date of this annual information form, (a) a director, CEO or CFO of any company that was subject to an order that was issued while the existing or proposed director or executive officer was acting in the capacity as director, CEO or CFO; (b) was subject to an order that was issued after the existing or proposed director or executive officer ceased to be a director, CEO or CFO and which resulted from an event that occurred while that person was acting in the capacity as director, CEO or CFO; (c) a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (d) bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual. For the purposes of this paragraph, “order” means a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case, that was in effect for a period of more than 30 consecutive days.

Mr. Beasley served as the President and Chief Operating Officer of Red Rock Insurance Company (“**Red Rock**”) from May 2013 to August 2014. On August 21, 2014, the Oklahoma Insurance Commissioner (the “**Receiver**”) was appointed as receiver over the assets of Red Rock. The Receiver alleged claims of negligence and breach of fiduciary duty against the former officers and directors of Red Rock, including Mr. Beasley. The Receiver subsequently determined that Mr. Beasley was not responsible for the financial issues suffered by Red Rock, and the Oklahoma Insurance Department opined that Mr. Beasley’s employment in the insurance industry

(including acting as an officer or director) should not be adversely impacted by his actions in conjunction with his Red Rock employment.

## **Audit Committee Information**

### *Composition of the Audit Committee*

The Audit Committee consists of three directors, all of whom are both independent and financially literate within the meaning of National Instrument 52-110 — *Audit Committees*. As of the date of this annual information form, the Audit Committee is comprised of Messrs. Gallagher (Chair), Hedges and Taylor. Each of the Audit Committee members has an understanding of the accounting principles used to prepare financial statements and varied experience as to the general application of such accounting principles, as well as an understanding of the internal controls and procedures necessary for financial reporting. Additional details regarding the relevant education and experience of the members of the Audit Committee is outlined below.

Mr. Gallagher has been Vice President, Investments of Carfin Inc., an investment vehicle with holdings in private and public companies that are based in Canada and the United States, since 2016. Previously, Mr. Gallagher was the Chief Financial Officer at Wittington Investments, Limited which owns a number of public and private companies including George Weston Limited, one of North America's largest food processing and distribution groups and Selfridges Group Limited, an international fashion retail company from 2007 to 2015. Prior to joining Wittington Investments, Limited, he held leadership roles with Avana Group, Fairwater Capital, Oxford Developments and PriceWaterhouseCoopers. Mr. Gallagher is a past member of the boards of Guelph University and Sinai Health Systems and past President of the Board of the Children's Aid Society of Toronto. He has previously served on the boards of the Caledon Institute of Social Policy, Rostland Corporation, Ryerson Oil and Gas and Northern Geophysical of America. Mr. Gallagher holds the Institute of Corporate Directors designation, is a Chartered Professional Accountant and holds a Bachelor of Commerce Degree from Lakehead University.

Mr. Hedges served as a director and Chief Executive Officer of Greenlight Capital Re, Ltd., a specialist property and casualty reinsurer, from August 2011 to March 2017. He also served as a director of Greenlight Reinsurance Ireland from 2011 to March 2017. Mr. Hedges previously served as President and Chief Underwriting Officer of Greenlight Reinsurance, Ltd. from January 2006 to August 2011. Mr. Hedges has over 30 years of experience in the property and casualty insurance/reinsurance industry. Prior to joining Greenlight Reinsurance, Ltd., Mr. Hedges served as President and Chief Operating Officer of Platinum Underwriters Bermuda, Ltd., a property, casualty and finite risk reinsurer, from July 2002 until December 2005 where he was responsible for the initial start-up of the company and managed the company's day-to-day operations. His previous experience includes serving as executive vice president and Chief Operating Officer of Bermuda-based Scandinavian Re, a former insurance and reinsurance company, and actuarial consultant at Tillinghast-Towers Perrin, a management consulting and software solutions company focused on insurance and financial services. Mr. Hedges received his B.S. in Mathematics, Computer Science Concentration, from Towson State University in 1987 and is a Fellow of the Casualty Actuarial Society.

Mr. Taylor served as the Chairman and a director of Trisura Guarantee from 2013 to 2017. As a co-founder of Trisura Guarantee, Mr. Taylor served as the Chief Executive Officer of the company from its inception in 2006 until 2012. From 2002 to 2005, he acted as a management consultant to London Guarantee Insurance Company, a specialty liability underwriter, to assist in the transition of the business following its sale to The St. Paul Companies. Previously, Mr. Taylor

was the President and Chief Executive Officer of London Guarantee Insurance Company. He has served the Anglican Diocese of Niagara in various stewardship capacities, including as a member of its financial advisory board and budget committee, as well as Chairman of its insurance committee. Mr. Taylor received his MBA from McMaster University in 1976 and Bachelor of Applied Sciences in chemical engineering from the University of Waterloo in 1970.

#### *Responsibilities of the Audit Committee*

The Audit Committee is responsible for: (i) monitoring our systems and procedures for financial reporting and associated internal controls, and the performance of our Company's auditors; (ii) reviewing certain public disclosure documents before their approval by the full Board and release to the public, such as our quarterly and annual financial statements and management's discussion and analysis; (iii) recommending an auditor to be nominated for appointment as the external auditor, and for approving the assignment of any non-audit work to be performed by the external auditor; (iv) monitoring financial and non-financial risk exposures and the steps taken to monitor and control such risk exposures; and (v) annually reviewing the guidelines which apply to our Company's treasury and risk management activities and overseeing our Company's overall risk management activities. The Audit Committee meets regularly in private session with our Company's auditors, without management present, to discuss and review specific issues as appropriate. The Audit Committee Charter, as approved by the Board on May 6, 2020, is included in Appendix 'B' of this annual information form.

#### *External Auditor, Fees and Services*

The external auditor of our Company is Deloitte LLP ("**Deloitte**"). The following table provides information about the aggregate fees billed to our Company for professional services rendered by Deloitte during 2020 and 2019, including audit fees and fees related to the offering in May 2020:

<i>Years ended December 31 (thousands)</i>	<b>2020</b>	<b>2019</b>
Audit Fees .....	\$704	\$615
Audit-Related Fees .....	\$114	\$107
Tax Fees .....	—	—
All Other Fees .....	—	—

#### *Audit Fees*

Audit fees include fees for services that would normally be provided by the external auditor in connection with statutory and regulatory filings or engagements, including fees for services necessary to perform an audit or review in accordance with generally accepted auditing standards. This category also includes services that generally only the external auditor reasonably can provide, including statutory audits, attest services, consents and assistance with and review of certain documents filed with securities regulatory authorities.



### *Audit-Related Fees*

Audit-related fees include fees for assurance and related services performed by the external auditor, not reported as audit fees. These include diligence services associated with our public offering, such as comfort letters and other related translation services.

### *Tax Fees*

Tax fees include fees for tax compliance, tax advice and tax planning.

### *All Other Fees*

All Other Fees include fees paid to the auditor, which are not included in any other category.

### *Pre-Approval Policies and Procedures*

The Audit Committee has adopted an Audit and Non-Audit Services Pre-Approval Policy (the “**Audit Policy**”), which governs the provision of services by its external auditor, currently Deloitte. The Audit Policy requires Audit Committee pre-approval of all permitted audit, audit-related, tax and other non-audit services. It also specifies a number of services that may not be provided by Trisura Group’s external auditor, including all services prohibited by law from being provided by the external auditor.

Under the Audit Policy, all permitted services to be provided by the external auditor must be pre-approved by the Audit Committee or a designated member of the Audit Committee. Any pre-approval granted by a designated member must be reported to the Audit Committee at its next scheduled meeting.

Under the Audit Policy, the Audit Committee has established a fee threshold for pre-approved services, which is that the aggregate fees paid to the external auditor for pre-approved services must equal no more than 25% of the anticipated audit fees for our Company for the prior year. Each quarter the external auditor provides the Audit Committee with a report of the audit, audit-related, tax and other non-audit services provided for the then-ended quarter, together with the actual fees incurred, for the Audit Committee’s ratification.

### **Interest of Management and Others in Material Transactions**

No director, executive officer or associate or affiliate of a director or executive officer, or to the knowledge of the directors and executive officers of Trisura Group after having made reasonable inquiry, any person of Trisura Group who beneficially owns, directly or indirectly, voting securities of Trisura Group carrying more than 10% of the voting rights attached to any class of voting securities of Trisura Group outstanding as of December 31, 2020, or any associate or affiliate thereof, had any material interest, direct or indirect, in any transaction material to Trisura Group within the past three years.

### **Transfer Agent and Registrar**

The transfer agent and registrar for the Common Shares is AST Trust Company (Canada) at its principal office in Toronto, Ontario, Canada.

## **Interests of Experts**

Deloitte is the external auditor of our Company and has advised Trisura Group that it is independent in accordance with the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

## **Material Contracts**

Except for the following, there are no contracts, other than contracts entered into in the ordinary course of business, that are material to the Company and that were entered into in the most recently completed financial year, or before the most recently completed financial year but that are still in effect:

The Company entered into an Amended Credit Agreement dated as of April 1, 2020 with a major financial institution as lender to increase the borrowing capacity on its Credit facility from \$35 million to \$50 million.

## **Additional Information**

On March 11, 2021, DBRS Limited assigned an Issuer Rating of BBB to Trisura Group Ltd., and a Financial Strength Rating of A (low) to Trisura Guarantee Insurance Company, and Trisura Specialty Insurance Company. All trends are Stable.

Additional financial information is provided in Trisura Group's comparative financial statements and management's discussion and analysis for the year ended December 31, 2020. Additional information, including with respect to directors' and officers' remuneration and indebtedness, principal holders of the Common Shares and Trisura Group's securities authorized for issuance under equity compensation plans is contained in Trisura Group's management information circular dated April 14, 2020 with respect to the annual meeting of shareholders of Trisura Group held on June 17, 2020. A copy of these documents may be obtained upon a request to the Secretary of Trisura Group and can be found on SEDAR at [www.sedar.com](http://www.sedar.com). Additional information relating to Trisura Group can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

## Appendix 'A'

### Summary of Terms and Conditions of Trisura Group's Authorized Securities

#### Common Shares

Each holder of Common Shares is entitled to receive notice of and to attend all meetings of the shareholders of Trisura Group and is entitled to one vote for each Common Share held at all meetings of the shareholders of Trisura Group, except for meetings at which only holders of another specified class or series of shares of Trisura Group are entitled to vote separately as a class or series. The holders of Common Shares are entitled to receive dividends as and when declared by the Board, participating equally with holders of non-voting shares, subject to the preference of the holders of the preference shares and any other shares ranking senior to the Common Shares and non-voting shares with respect to priority in payment of dividends. Stock dividends, if any, will be declared contemporaneously and paid at the same time in equal numbers of additional equity shares of the same class and series such that stock dividends will be paid in Common Shares to holders of the Common Shares and in non-voting shares to holders of the non-voting shares. After payment to the holders of preference shares and any other shares senior to the Common Shares and the non-voting shares with respect to priority in the distribution of assets in the event of the liquidation, dissolution or other distribution of our assets for the purpose of winding up our affairs, the holders of Common Shares and the holders of non-voting shares will rank equally with each other and will be entitled to receive the remaining property of Trisura Group that pertains to shareholders in equal amounts per share, without preference or priority of one share or another.

If either of the Common Shares or non-voting shares are subdivided, consolidated, reclassified or otherwise changed, appropriate adjustments would be made at the same time to the rights attaching to the shares of the other class to ensure the preservation of the rights of each class in relation to those of the other.

#### *Book Based System*

The Common Shares may be represented in the form of one or more fully registered share certificates held by, or on behalf of, CDS Clearing and Depository Services Inc. ("**CDS**") or the Depository Trust Company ("**DTC**"), as applicable, as custodian of such certificates for the participants of CDS or DTC, registered in the name of CDS or DTC or their respective nominee, and registration of ownership and transfers of the Common Shares may be effected through the book-based system administered by CDS or DTC, as applicable.

#### Non-Voting Shares

The non-voting shares entitle the holders thereof to receive notice of meetings of the shareholders of Trisura Group but do not entitle holders thereof to any votes at such meetings, unless otherwise required by law. The holders of non-voting shares are entitled to receive dividends as and when declared by the Board, participating equally with holders of Common Shares, subject to the preference of the holders of the preference shares and any other shares ranking senior to the non-voting shares and Common Shares with respect to priority in payment of dividends. Stock dividends, if any, will be declared contemporaneously and paid at the same time in equal numbers of additional equity shares of the same class and series such that stock

dividends will be paid in non-voting shares to holders of the non-voting shares and in Common Shares to holders of the Common Shares.

After payment to the holders of preference shares and any other shares senior to the non-voting shares and the Common Shares with respect to priority in the distribution of assets in the event of the liquidation, dissolution or other distribution of our assets for the purpose of winding up our affairs, the holders of Common Shares and the holders of non-voting shares will rank equally with each other and will be entitled to receive the remaining property of Trisura Group that pertains to shareholders in equal amounts per share, without preference or priority of one share or another. If either of the non-voting shares or Common Shares are subdivided, consolidated, reclassified or otherwise changed, appropriate adjustments would be made at the same time to the rights attaching to the shares of the other class to ensure the preservation of the rights of each class in relation to those of the other. In certain circumstances, if a take-over bid is made for the Common Shares only, a holder of non-voting shares may, at his or her option, and for the purpose of tendering to such take-over bid, convert any or all non-voting shares then held by such holder into Common Shares on a one-for-one basis during a specified period of time. Our Company is required to give notice of the occurrence of an event entitling the holders of non-voting shares to exercise such conversion right as soon as is reasonably practicable after the seventh day following the date upon which the offer is made or deemed to be made to holders of Common Shares.

## **Preference Shares**

The following is a summary of certain provisions attaching to the preference shares as a class.

### *Priority*

Each series of preference shares will rank on a parity with every other series of preference shares with respect to dividends and return of capital. The preference shares are entitled to a preference over the Common Shares, the non-voting shares and any other shares ranking junior to the preference shares with respect to priority in payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of Trisura Group, whether voluntary or involuntary, or any other distribution of the assets of Trisura Group among our shareholders for the specific purpose of winding-up our affairs.

### *Directors' Rights to Issue in One or More Series*

The preference shares may be issued at any time and from time to time in one or more series. Before any shares of a series are issued, the Board shall fix the number of shares that will form such series, if any, and shall, subject to any limitations set out in the by-laws of Trisura Group or in the OBCA, determine the designation, rights, privileges, restrictions and conditions to be attached to the preference shares as the case may be, of such series.

### *Voting Rights of Preference Shares*

Except as hereinafter referred to or as required by law or as specified in the rights, privileges, restrictions and conditions attached from time to time to any series of preference shares, the holders of such preference shares as a class are not entitled as such to receive notice of, to attend or to vote at any meeting of the shareholders of Trisura Group.

### *Amendment with Approval of Holders of Preference Shares*

The rights, privileges, restrictions and conditions attached to the preference shares as a class may be added to, changed or removed but only with the approval of the holders of such class of preference shares given as hereinafter specified.

### *Approval of Holders of Preference Shares*

The approval of the holders of a class of preference shares to add to, change or remove any right, privilege, restriction or condition attaching to such class of preference shares as a class or in respect of any other matter requiring the consent of the holders of such class of preference shares may be given in such manner as may then be required by law, subject to a minimum requirement that such approval be given by resolution signed by all the holders of such class of preference shares or passed by the affirmative vote of at least two-thirds of the votes cast at a meeting of the holders of such class of preference shares duly called for that purpose.

The formalities to be observed with respect to the giving of notice of any such meeting or any adjourned meeting, the quorum required therefor and the conduct thereof shall be those from time to time required by the OBCA as in force at the time of the meeting and those, if any, prescribed by the by-laws or the administrative resolutions of Trisura Group with respect to meetings of shareholders. On every poll taken at every meeting of the holders of a class of preference shares as a class, or at any joint meeting of the holders of two or more series of a class of preference shares, each holder of such class of preference shares entitled to vote thereat shall have one vote in respect of each such preference share held.

### **Series 1 Preference Shares**

The following is a summary of certain provisions attaching to the Series 1 Preference Shares, as a series.

#### *Issue Price*

The Series 1 Preference Shares have an issue price of \$25.00 per share.

#### *Cumulative Preferential Dividends*

The holders of the then outstanding Series 1 Preference Shares (the “**Holders**”) shall be entitled to receive, and Trisura Group shall pay thereon, as and when declared by the Board, cumulative preferential cash dividends (the “**Series 1 Dividends**”) payable quarterly at the rates and times provided for below:

- (a) For the period from December 1, 2017 to December 31, 2022 (the “**Initial Fixed Rate Period**”), the Series 1 Dividends will be payable quarterly on the last day of March, June, September and December of each year (each, a “**Dividend Payment Date**”) at a rate of 6.00% per annum. On each Dividend Payment Date during the Initial Fixed Rate Period (other than December 31, 2017), the Series 1 Dividend will be equal to \$0.375 per share.
- (b) For the period commencing on January 1, 2023 and ending on and including December 31, 2027, and for each subsequent five-year period (each a “**Subsequent Fixed Rate Period**”), dividends payable on the Series 1 Preference Shares will be in an annual amount per share determined by multiplying the rate equal to the Government of Canada

Yield on the 30th day prior to the first day of such Subsequent Fixed Rate Period plus 7.5% by \$25.00, and shall be payable quarterly on each Dividend Payment Date during such Subsequent Fixed Rate Period.

#### *Rights on Liquidation*

In the event of the liquidation, dissolution or winding-up of Trisura Group, whether voluntary or involuntary, or any other distribution of assets of Trisura Group among its shareholders for the purpose of winding-up its affairs, the Holders shall be entitled to receive \$25.00 per Series 1 Preference Share, together with all accrued and unpaid Series 1 Dividends up to but excluding the date of payment or distribution (less any tax required to be deducted or withheld by Trisura Group), before any amounts shall be paid or any assets of Trisura Group distributed to the holders of any shares ranking junior as to capital to the Series 1 Preference Shares. Upon payment of such amounts, the Holders shall not be entitled to share in any further distribution of the assets of Trisura Group.

#### *Redemption at the Option of Trisura Group*

Trisura Group may, at any time and from time to time, subject to applicable law, upon giving notice, at its option, without the consent of the Holders redeem all, or any part, of the then outstanding Series 1 Preference Shares by the payment of an amount in cash for each Series 1 Preference Share so redeemed equal to \$25.00 per Series 1 Preference Share, together with all accrued and unpaid dividends up to but excluding the date of payment or distribution (less any tax required to be deducted and withheld by Trisura Group).

On December 31, 2019, Trisura Group redeemed all outstanding Series 1 preference shares at par.

## Appendix 'B'

### Audit Committee Charter

A committee of the board of directors (the “**Board**”) of Trisura Group Ltd. (the “**Company**”) to be known as the Audit Committee (the “**Committee**”) shall have the following terms of reference:

#### 1. Membership and Chair

Following each annual meeting of shareholders, the Board shall appoint from its number three or more directors (the “**Members**” and each a “**Member**”) to serve on the Committee until the close of the next annual meeting of shareholders of the Company or until the Member ceases to be a director, resigns or is replaced, whichever occurs first.

The Members will be selected by the Board on the recommendation of the Governance and Compensation Committee of the Company (the “**Governance Committee**”). Any Member may be removed from office or replaced at any time by the Board. All of the Members will be Independent Directors. In addition, every Member will be Financially Literate and at least one Member will be an Audit Committee Financial Expert. Members may not serve on more than three other public company audit committees, except with the prior approval of the Board.

The Board shall appoint one Member as the chair of the Committee (the “**Chair**”). If the Chair is absent from a meeting, the Members shall select an Acting Chair from among those Members in attendance at the meeting.

#### 2. Subcommittees

The Committee may form subcommittees for any purpose and may delegate to a subcommittee such of the Committee’s powers and authorities as the Committee deems appropriate.

#### 3. Responsibilities

The Committee shall:

##### **Auditor**

- a) oversee the work of the Company’s external auditor (the “**auditor**”) engaged for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for the Company;
- b) require the auditor to report directly to the Committee;
- c) review and evaluate the auditor’s independence, experience, qualifications and performance (including the performance of the lead audit partner) and determine whether the auditor should be appointed or re-appointed and nominate the auditor for appointment or re-appointment by the shareholders;

- d) where appropriate, terminate the auditor;
- e) when a change of auditor is proposed, review all issues related to the change, including the information to be included in the notice of change of auditor required, and the orderly transition of such change;
- f) review the terms of the auditor's engagement and the appropriateness and reasonableness of the proposed audit fees;
- g) at least annually, obtain and review a report by the auditor describing:
  - (i) the auditor's internal quality-control procedures; and
  - (ii) any material issues raised by the most recent internal quality control review, or peer review, of the auditor, or review by any independent oversight body such as the Canadian Public Accountability Board or the Public Company Accounting Oversight Board, or governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the auditor, and the steps taken to deal with any issues raised in any such review;
- h) at least annually, confirm that the auditor has submitted a formal written statement describing all of its relationships with the Company; discuss with the auditor any disclosed relationships or services that may affect its objectivity and independence; obtain written confirmation from the auditor that it is objective within the meaning of the Rules of Professional Conduct/Code of Ethics adopted by the provincial institute or order of chartered accountants to which it belongs and is an independent public accountant within the meaning of the Independence Standards of the Canadian Institute of Chartered Accountants; and, confirm that the auditor has complied with applicable laws with the rotation of certain members of the audit engagement team;
- i) ensure the regular rotation of the audit engagement team members as required by law, and periodically consider whether there should be regular rotation of the auditor;
- j) meet privately with the auditor as frequently as the Committee feels is appropriate to fulfill its responsibilities, which will not be less frequently than annually, to discuss any items of concern to the Committee or the auditor, including:
  - (i) planning and staffing of the audit;
  - (ii) any material written communications between the auditor and management;
  - (iii) whether or not the auditor is satisfied with the quality and effectiveness of financial recording procedures and systems;
  - (iv) the extent to which the auditor is satisfied with the nature and scope of its examination;



- (v) whether or not the auditor has received the full co-operation of management of the Company;
  - (vi) the auditor's opinion of the competence and performance of the Chief Financial Officer and other key financial personnel of the Company;
  - (vii) the items required to be communicated to the Committee in accordance with generally accepted auditing standards;
  - (viii) all critical accounting policies and practices to be used by the Company;
  - (ix) all alternative treatments of financial information within International Financial Reporting Standards ("**IFRS**") that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor;
  - (x) any difficulties encountered in the course of the audit work, any restrictions imposed on the scope of activities or access to requested information, any significant disagreements with management and management's response; and
  - (xi) any illegal act that may have occurred and the discovery of which is required to be disclosed to the Committee pursuant to paragraphs 240.41-42 and 250.22-24 of the Canadian Auditing Standards;
- k) annually review and approve the Audit and Non-Audit Services Pre-Approval Policy (the "**Pre-Approval Policy**"), which sets forth the parameters by which the auditor can provide certain audit and non-audit services to the Company not prohibited by law and the process by which the Committee pre-approves such services. At each quarterly meeting of the Committee, the Committee will ratify all audit and non-audit services provided by the auditor to the Company for the then-ended quarter;
  - l) resolve any disagreements between management and the auditor regarding financial reporting;
  - m) set clear policies for hiring partners and employees and former partners and employees of the external auditor;

### ***Financial Reporting***

- n) prior to disclosure to the public, review, and, where appropriate, recommend for approval by the Board, the following:
  - (i) audited annual financial statements, in conjunction with the report of the external auditor;
  - (ii) interim financial statements;
  - (iii) annual and interim management discussion and analysis of financial condition and results of operations;

- (iv) reconciliation of the annual or interim financial statements; and
  - (v) all other audited or unaudited financial information contained in public disclosure documents, including without limitation, any prospectus, or other offering or public disclosure documents and financial statements required by regulatory authorities;
- o) review and discuss with management prior to dissemination earnings press releases and other press releases containing financial information (to ensure consistency of the disclosure to the financial statements), as well as financial information and earnings guidance provided to analysts including the use of “pro forma” or “adjusted” non-IFRS information in such press releases and financial information. Such review may consist of a general discussion of the types of information to be disclosed or the types of presentations to be made;
  - p) review the effect of regulatory and accounting initiatives, as well as any asset or debt financing activities of the Company’s unconsolidated subsidiaries that are not required under IFRS to be incorporated into the Company’s financial statements (commonly known as “off-balance sheet financing”);
  - q) review disclosures made to the Committee by the Chief Executive Officer and Chief Financial Officer of the Company during their certification process for applicable securities law filings about any significant deficiencies and material weaknesses in the design or operation of the Company’s internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information, and any fraud involving management or other employees;
  - r) review the effectiveness of management’s policies and practices concerning financial reporting, any proposed changes in major accounting policies, the appointment and replacement of management responsible for financial reporting and the internal audit function;
  - s) review the adequacy of the internal controls that have been adopted by the Company to safeguard assets from loss and unauthorized use and to verify the accuracy of the financial records and any special audit steps adopted in light of material control deficiencies;

***Internal Audit; Controls and Procedures; and Other***

- t) meet privately with the person responsible for the Company’s internal audit function (the “**internal auditor**”) as frequently as the Committee feels appropriate to fulfill its responsibilities, which will not be less frequently than annually, to discuss any items of concern;
- u) require the internal auditor to report directly to the Committee;
- v) review the mandate, budget, planned activities, staffing and organizational structure of the internal audit function (which may be outsourced to a firm other than the auditor) to confirm that it is independent of management and has sufficient resources to carry out its mandate. The Committee will discuss this mandate with

the auditor, review the appointment and replacement of the internal auditor and review the significant reports to management prepared by the internal auditor and management's responses. As part of this process, the Committee reviews and approves the governing charter of the internal audit function on an annual basis;

- w) review the controls and procedures that have been adopted to confirm that material financial information about the Company and its subsidiaries that is required to be disclosed under applicable law or stock exchange rules is disclosed, review the public disclosure of financial information extracted or derived from the Company's financial statements and periodically assess the adequacy of such controls and procedures;
- x) review risks of fraud related to financial reporting that come to the attention of the Committee, either through internal audit or otherwise;
- y) periodically review the status of taxation matters of the Company;
- z) consider other matters of a financial nature as directed by the Board;

#### **4. Limitation of Audit Committee Role**

The Committee's function is one of governance and oversight. The Company's management is responsible for preparing the Company's financial statements, along with the internal audit function, for developing and maintaining systems of internal accounting and financial controls, and for developing, maintaining and monitoring systems of risk management throughout the organization. The auditor will assist the Committee and the Board in fulfilling their responsibilities for review of the financial statements and internal controls, and the auditor will be responsible for the independent audit of the financial statements. The Committee expects the auditor to call to its attention any accounting, auditing, internal accounting control, regulatory or other related matters that the auditor believes warrant consideration or action. The Committee recognizes that (i) the internal audit team and the auditor have more knowledge and information about the Company's financial affairs than do the Committee's members. Accordingly, in carrying out its oversight responsibilities, the Committee does not provide any expert or special assurance as to the Company's financial statements or internal controls or any professional certification as to the auditor's work.

#### **5. Reporting**

The Committee will regularly report to the Board on:

- a) the auditor's independence;
- b) the performance of the auditor and the Committee's recommendations regarding its reappointment or termination;
- c) the performance of the internal audit function department;
- d) the adequacy of the Company's internal controls and disclosure controls;

- e) its recommendations regarding the annual and interim financial statements of the Company and any reconciliation of the Company's financial statements, including any issues with respect to the quality or integrity of the financial statements;
- f) its review of any other public disclosure document including the annual report and the annual and interim management's discussion and analysis of financial condition and results of operations;
- g) the Company's compliance with legal and regulatory requirements, particularly those related to financial reporting;
- h) its review of risk disclosure in the Company's financial reports;
- i) the Company's compliance with legal and regulatory requirements; and
- j) all other significant matters it has addressed and with respect to such other matters that are within its responsibilities.

## **6. Complaints Procedure**

The Committee will establish and periodically review a procedure for the receipt, retention, treatment and follow-up of complaints received by the Company through the reporting hotline or otherwise regarding accounting, internal controls, disclosure controls or auditing matters and a procedure for the confidential, anonymous submission of concerns by employees of the Company regarding such matters.

## **7. Review and Disclosure**

The Committee will review this Charter at least annually and submit it to the Governance Committee together with any proposed amendments. The Governance Committee will review this Charter and submit it to the Board for approval with such further amendments as it deems necessary and appropriate.

This Charter will be reproduced in full as an appendix to the Company's Annual Information Form.

## **8. Assessment**

At least annually, the Governance Committee will review the effectiveness of this Committee in fulfilling its responsibilities and duties as set out in this Charter and in a manner consistent with the corporate governance guidelines adopted by the Board. The Committee will also conduct its own assessment of the Committee's performance on an annual basis.

## **9. Access to Outside Advisors and Senior Management**

The Committee may retain any outside advisor, including legal counsel, at the expense of the Company, without the Board's approval, at any time. The Committee has the authority to determine any such advisor's fees and any other retention terms.

The Company will provide for appropriate funding, for payment of compensation to any auditor engaged to prepare or issue an audit report or perform other audit, review or attest services, and ordinary administrative expenses of the Committee.

Members will meet privately with senior management as frequently as they feel is appropriate to fulfill the Committee's responsibilities, but not less than annually.

## 10. Meetings

Meetings of the Committee may be called by any Member, the Chair of the Board, the Chief Executive Officer or Chief Financial Officer of the Company, the internal auditor or the auditor. Meetings will be held each quarter and at such additional times as is necessary for the Committee to fulfill its responsibilities. The Committee shall appoint a secretary to be the secretary of each meeting of the Committee and to maintain minutes of the meeting and deliberations of the Committee.

The powers of the Committee shall be exercisable at a meeting at which a quorum is present. A quorum shall be not less than a majority of the Members from time to time. Matters decided by the Committee shall be decided by majority vote. Subject to the foregoing, the *Business Corporations Act* (Ontario) and the by-laws of the Company, and, unless otherwise determined by the Board, the Committee shall have the power to regulate its procedure.

Notice of each meeting shall be given to each Member, the internal auditor, the auditor, and to the Chair of the Board and the Chief Executive Officer of the Company. Notice of meeting may be given orally or by letter, electronic mail, telephone or other generally accepted means not less than 24 hours before the time fixed for the meeting. Members may waive notice of any meeting and attendance at a meeting is deemed waiver of notice. The notice need not state the purpose or purposes for which the meeting is being held.

The Committee may invite from time to time such persons as it may see fit to attend its meetings and to take part in discussion and consideration of the affairs of the Committee. The Committee may require the auditors and/or members of the Company's management to attend any or all meetings.

## 11. Definitions

Capitalized terms used in this Charter and not otherwise defined have the meanings attributed to them below:

**"Audit Committee Financial Expert"** means a person who has the following attributes:

- a) an understanding of generally accepted accounting principles and financial statements;
- b) the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;
- c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be

expected to be raised by the Company's financial statements, or experience actively supervising one or more persons engaged in such activities;

- d) an understanding of internal controls and procedures for financial reporting; and
- e) an understanding of audit committee functions;

acquired through any one or more of the following:

- (i) education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions;
- (ii) experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions;
- (iii) experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or
- (iv) other relevant experience.

**"Financially Literate"** means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

**"Independent Director"** means a director who has been affirmatively determined by the Board to have no material relationship with the Company, either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company. In addition to any other requirement of applicable securities laws or stock exchange provisions, a director who:

- a) is or was an employee or executive officer, or whose immediate family member is or was an executive officer, of the Company is not independent until three years after the end of such employment relationship;
- b) is receiving or has received, or whose immediate family member is receiving or has received, during any 12-month period within the last three years more than C\$75,000 in direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), is not independent;
- c) is or was a partner of, affiliated with or employed by, or whose immediate family member is or was a partner of or employed in a professional capacity by, a present or former internal or external auditor of the Company is not independent until three years after the end of the affiliation, partnership or employment relationship with the auditor; and

- d) is or was employed as, or whose immediate family member is or was employed as, an executive officer of another company (or its parent or a subsidiary) where any of the present (at the time of review) executive officers of the Company serve or served on that company's (or its parent's or a subsidiary's) compensation committee, is not independent until three years after the end of such service or the employment relationship.

Additionally, an Independent Director for the purpose of the Committee specifically may not:

- (i) accept directly or indirectly any consulting, advisory, or other compensatory fee from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service); or
- (ii) be an affiliated person of the Company (within the meaning of applicable rules and regulations).

For the purposes of the definition of "Independent Director", the term "Company" includes any parent, subsidiary or other affiliated entity of the Company.

In addition to the requirements for independence set out in paragraph (c) above, Members must disclose any other form of association they have with a current or former external or internal auditor of the Company to the Governance Committee for a determination as to whether this association affects the Member's status as an Independent Director.