



**NOTICE OF  
ANNUAL GENERAL MEETING  
OF SHAREHOLDERS  
TO BE HELD ON  
MAY 14, 2013**

**AND**

**MANAGEMENT INFORMATION CIRCULAR**



**Notice of Annual General Meeting of Shareholders  
May 14, 2013**

Notice is hereby given that the annual general meeting of the holders of common shares of EGI Financial Holdings Inc. (the "Corporation") will be held at the St. Andrew's Club, 150 King Street West, 27<sup>th</sup> Floor, Toronto, Ontario, on May 14, 2013, at 3:00 p.m. (Toronto time) for the following purposes:

1. to receive the Corporation's Annual Report which contains the audited consolidated financial statements as at and for the financial year ended December 31, 2012, and the auditors' report thereon;
2. to elect directors;
3. to re-appoint auditors and to authorize the Board of Directors to fix their remuneration;
4. to transact such other business as may properly come before the meeting or any adjournment thereof.

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

Shareholders are invited to attend the meeting. *Registered shareholders* who are unable to attend the meeting in person are requested to complete, date and sign the enclosed form of proxy and send it in the enclosed envelope or otherwise to the Secretary of the Corporation c/o Computershare Investor Services Inc., 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, telephone number 1-800-564-6253, fax number 1-866-249-7775 or 416-263-9524 or to the Secretary of the Corporation at the Corporation's registered office, which is located at 2680 Matheson Blvd. East, Suite 300, Mississauga, Ontario, L4W 0A5, fax number 905-214-8028. *Non-registered shareholders* who receive these materials through their broker or other intermediary should complete and send the voting instruction form in accordance with the instructions provided by their broker or intermediary. To be effective, a proxy must be received by Computershare Investor Services Inc. or the Secretary of the Corporation not later than 3:00 p.m. (Toronto time) on May 10, 2013, or in the case of any adjournment of the meeting, not less than 48 hours, Saturdays, Sundays and holidays excepted, prior to the time of the adjournment.

DATED the 2nd day of April, 2013.

By Order of the Board of Directors

(Signed) Alvin Sharma  
Secretary



**Management Information Circular  
for the Annual General Meeting of Shareholders  
May 14, 2013**

## **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 EGI Financial Holdings Inc. (the "Corporation"), of proxies to be used at the Corporation's annual general meeting of the holders of common shares (the "Common Shares") to be held on Tuesday, May 14, 2013 (the "Meeting") or at any adjournment thereof.** It is expected that the solicitation will be primarily by mail, but proxies may also be solicited personally, by advertisement or by telephone, by directors, officers or employees of the Corporation without special compensation, or by the Corporation's transfer agent, Computershare Investor Services Inc., at nominal cost. The cost of soliciting will be borne by the Corporation.

### ***Appointment of Proxyholder***

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

In the case of *registered shareholders*, the completed, dated and signed form of proxy should be sent in the enclosed envelope or otherwise to the Secretary of the Corporation, c/o Computershare Investor Services Inc., 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, telephone number 1-800-564-6253, fax number 866-249-7775 or 416-263-9524, or to the Secretary of the Corporation at the Corporation's registered office, which is located at 2680 Matheson Blvd. East, Suite 300, Mississauga, Ontario, L4W 0A5, fax number 905-214-8028. In the case of *non-registered shareholders* who receive these materials through their broker or other intermediary, the shareholder should complete and send the voting instruction form in accordance with the instructions provided by their broker or other intermediary. To be effective, a proxy must be received by Computershare Investor Services Inc. or the Secretary of the Corporation not later than 3:00 p.m. (Toronto time) on May 10, 2013, or in the case of any adjournment of the Meeting, not less than 48 hours, Saturdays, Sundays and holidays excepted, prior to the time of the adjournment.

### **Revocation of Proxy**

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

### ***Voting of Proxies***

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

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments to matters identified in the accompanying Notice of Meeting and with respect to other matters which may properly come before the Meeting or any adjournment thereof. As of the date of this Circular, management of the Corporation is not aware of any such amendment or other matter to come before the Meeting. However, if any amendments to matters identified in the accompanying Notice of Meeting or any other matters which are not now known

to management should properly come before the Meeting or any adjournment thereof, the Common Shares represented by properly executed proxies given in favour of the person(s) designated by management of the Corporation in the enclosed form of proxy will be voted on such matters pursuant to such discretionary authority.

## VOTING SHARES

### *Voting Shares*

As at March 14, 2013, the Corporation had 11,908,732 Common Shares outstanding, each carrying the right to one vote per share. Except as otherwise noted in this Circular, a simple majority of the votes cast at the Meeting, whether in person, by proxy or otherwise, will constitute approval of any matter submitted to a vote.

### *Record Date*

The Board of Directors has fixed April 2, 2013, as the record date for the purpose of determining holders of Common Shares entitled to receive notice of and to vote at the Meeting. Any holder of Common Shares of record at the close of business on the record date is entitled to vote the Common Shares registered in such shareholder's name at that date on each matter to be acted upon at the Meeting.

### *Principal Shareholders*

To the knowledge of the directors and executive officers of the Corporation, as at March 14, 2013, no person beneficially owned, or controls or directs, directly or indirectly, more than 10% of the voting rights attached to the outstanding Common Shares of the Corporation except as stated below.

<b>Name</b>	<b>Aggregate Number of Common Shares</b>	<b>Percentage of Outstanding Common Shares</b>
The Co-operators Group Limited and affiliates	2,027,912	17.0%
Covington Fund II Inc.	1,770,848	14.8%

## GENERAL INFORMATION

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

A copy of the Corporation's 2012 Annual Report is being sent to shareholders who have requested it, and includes the consolidated financial statements of the Corporation for the year ended December 31, 2012, together with the auditor's report thereon, and Management's Discussion and Analysis of the financial position and results of operations. This Annual Report is also available in the Financial Reports section of the Corporation's web site ([www.egi.ca](http://www.egi.ca)) and on SEDAR ([www.sedar.com](http://www.sedar.com)). No vote will be taken at the Meeting in respect of the Corporation's 2012 Annual Report.

### *Currency*

Unless indicated otherwise, all amounts are in Canadian dollars.

## MATTERS TO BE ACTED UPON AT MEETING

### 1. Election of Directors

The number of directors to be elected at the Meeting is ten (10). 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 following table sets forth information with respect to each person proposed to be nominated for election as a director, including the number of Common Shares of the Corporation beneficially owned, or controlled or directed, directly or indirectly, by such person or the person's associates or affiliates as at March 14, 2013. The information as to shares beneficially owned or controlled or directed, not being within the knowledge of the Corporation, has been furnished by the respective proposed nominees individually.

<b>Nominee Name and Place of Residence</b>	<b>Principal Occupation</b>	<b>Became Director</b>	<b>Common Shares</b>
Scott Clark <sup>(2) (3)</sup> Ontario, Canada	President and CEO, Covington Capital Corporation (investment)	May 2002	Nil
Peter Crawford <sup>(1) (2)</sup> Ontario, Canada	Retired Chief Financial Officer and Treasurer of the Co-Operators Group	January 2013	Nil
G. Mark Curry <sup>(3)</sup> Ontario, Canada	Chairman and President, Revmar Inc. (investment holding company)	May 2002	417,984
Steve Dobronyi Ontario, Canada	Chief Executive Officer		62,062
Patrick W.E. Hodgson <sup>(1) (3)</sup> Ontario, Canada	President, Cinnamon Investments Limited (a private investment company)	May 2012	45,864
Paul F. Little <sup>(3)</sup> Ontario, Canada	President, Westover Investments Inc. (private investment company)	January 2003	486,767
Angus Ross <sup>(1)</sup> Ontario, Canada	Independent consultant on reinsurance and environmental issues	January 2013	6,000
Douglas E. McIntyre <sup>(3)</sup> Ontario, Canada	Vice Chairman of the Corporation	August 2001	310,000
Robert Purves Ontario, Canada	Chairman, Purves Redmond Limited (insurance brokerage firm)	August 1997	110,000
Bruce West <sup>(1) (2)</sup> Ontario, Canada	Executive Vice-President, Finance and Chief Financial Officer, Co-operators Group Limited (insurance)	June 2007	Nil

(1) Member of Audit and Risk Committee.

(2) Member of Governance Committee.

(3) Member of Investment Committee.

Patrick Hodgson has held the principal occupation shown beside his name in the table above for the last five years except as follows: until 2009, Mr. Hodgson was a partner in KJ Harrison and Partners (portfolio manager); since 2009, Partner, Stornoway Capital Partners Inc. (distress debt fund manager); and until February 2011, Chairman, Todd Shipyards Corporation (ship building). From 2006 to 2008, Mr. Hodgson was a director of Hollinger Inc. On August 1, 2007, Hollinger Inc. filed for bankruptcy, seeking protection in Canada under the Companies Creditors Arrangement Act and filing in the United States pursuant to Chapter 15 of the U.S. Bankruptcy Code.

Steve Dobronyi has held the principal occupation shown beside his name in the table above for the last five years except as follows: Steve Dobronyi was President and Chief Operating Officer prior to being appointed Chief Executive Officer of EGI in January 2011. Prior to joining the Corporation in November 2009 Mr. Dobronyi was Senior Vice President, Business Development and Senior Vice President, Affinity Markets at Manulife Financial.

Mark Curry was a director of The Tanbridge Corporation from May, 1999, to July, 2003. The Tanbridge Corporation was declared bankrupt on July 25, 2003.

Scott Clark is an officer of Covington Fund II Inc., which, as of March 14, 2013, beneficially owned 1,770,848 Common Shares, representing approximately 14.8% of the outstanding Common Shares.

Bruce West is an officer of Co-operators General Insurance Company, which, as of March 14, 2013, beneficially owned together with its affiliates 2,027,912 Common Shares, representing approximately 17% of the outstanding Common Shares. See "Voting Shares – Principal Shareholders".

## 2. 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.

<b>Auditor Fees</b>	<b>2012</b>	<b>2011</b>
Audit fees	\$615,000	\$496,000
Audit- related fees	33,000	56,000
Tax fees	89,000	53,000
All other fees	18,000	36,000

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.

## **EXECUTIVE COMPENSATION**

### **COMPENSATION DISCUSSION AND ANALYSIS**

This discussion addresses our compensation objectives and policies applicable to the executive officers named in the Summary Compensation Table below, otherwise referred to as our "Named Executive Officers" or "NEOs". To the extent that we may modify these objectives and policies in the future to reflect changing circumstances, the information contained in this discussion may change accordingly.

#### ***Compensation Philosophy and Objectives***

The overall objectives of the Corporation's executive compensation program focuses on consistency with the Corporation's strategies, business plan and objectives, while taking into account various criteria including competitive factors and the Corporation's performance.

The Corporation's compensation philosophy is reflected in the following key design priorities that govern compensation decisions:

- alignment with stockholders' interests
- Corporation's financial performance
- capital and risk management
- to attract, retain and motivate highly qualified and the most talented people to foster superior performance
- individual performance
- pay for performance

A portion of the executives' compensation package is based upon the Corporation's success in meeting operational targets. As such, incentive award opportunities are payable only if specified goals are achieved. The Corporation will continue to align its executive compensation programs with the long-term, sustainable interests of the Corporation, its shareholders and employees.

#### ***Compensation Governance***

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

#### ***Board of Directors***

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

## **Governance Committee**

The Governance Committee assists the Board in carrying out its responsibilities, which includes compensation matters. The Governance Committee's compensation responsibilities include:

- Reviewing the Corporation's compensation policies and major compensation programs, particularly against business objectives, operations and risks to which we are exposed.
- Reviewing the design and payouts of compensation programs to ensure alignment with pay for performance and sound risk management principles; making recommendations to the Board regarding incentive and equity-based compensation programs; and reviewing and recommending, for Board approval, the design of compensation programs for the CEO and executive group; as well as the actual amount of annual variable short-term incentive and mid and long-term incentives to be awarded to the CEO and each executive based on individual, business and overall Corporation performance.

## **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 NEO 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, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the NEO or director.

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

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

## **Establishing Target Compensation**

Compensation for the NEOs and other executive officers is evaluated and set annually by the Governance Committee based on the program design of corporations that are part of our 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 the Hay Group, Mercer and Hewitt.

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

- Median compensation for similar job and job levels in the market.
- The Corporation's performance against financial measures including earnings per share, total shareholder return, economic profit, cash flow management and cost management discipline.
- 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 presents them to the Governance Committee. The Governance Committee then sets NEO compensation after considering the recommendations of the CEO, as well as other data.

## **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 our compensation comparator group. To evaluate the executive current compensation versus the competitive market, we review 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. As such, we examine several criteria, including the relevant labour market for talent. A significant secondary factor that we take into account in determining the composition of the comparator group is organizational scope. This factor focuses on corporations in the

relevant industry sectors that are comparable in asset/revenue size, operational scope, market capitalization, and profitability. Also relevant is the selection of corporations from which we have the ability to obtain high quality, reliable and consistent compensation data. The comparator group is periodically evaluated and updated to ensure the corporations in the group remain relevant. We refer to this group of approximately 20 companies as the comparator group. We review and discuss the composition of the comparator group with the committee and with external compensation consultants, as required.

The comparator group is comprised of the following companies: Fairfax Financial, Industrial Alliance Insurance, Travelers Canada, ACE Canada, RBC Insurance, Economical Insurance, Aviva Canada Inc., Royal & Sun Alliance Canada, AXA Canada, CAA Insurance Company, Allianz Global Risks Insurance Company, Co-operators Life Insurance Company, Allstate Insurance Company of Canada, Pembroke Insurance Company, Gore Mutual Insurance Company, Jevco Insurance Company, Intact Financial Corporation, BMO Life Insurance Company, Scotia General Insurance Company and CIBC Mellon.

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

**Setting Performance Objectives**

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

**Summary Compensation Table**

The following table sets out information concerning the compensation earned from the Corporation and any of the Corporation’s subsidiaries during the three most recently completed financial years, by the Corporation’s Chief Executive Officer, Chief Financial Officer and the Corporation’s other three most highly compensated executive officers (collectively, the “Named Executive Officers” or “NEOs”).

<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary (\$)</b>	<b>Share-Based Awards (\$)</b>	<b>Option-Based Awards (\$)</b>	<b>Non-Equity Incentive Plan Compensation (\$)</b>	<b>All Other Compensation (\$)</b>	<b>Total Compensation (\$)</b>
Steve Dobronyi Chief Executive Officer	2012	323,654	32,355	33,462	201,978	30,333	621,783
	2011	328,955	237,270	26,325	21,800	30,109	493,469
	2010	280,000	58,500	32,468	5,000	25,918	343,386



Name and Principal Position	Year	Salary (\$)	Share-Based Awards (\$)	Option-Based Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	All Other Compensation (\$)	Total Compensation (\$)
Alvin Sharma Chief Financial Officer <sup>(2)</sup>	2012	55,000	–	75,924	10,000	5,717	146,641
Hemraj Singh Vice-President and Chief Financial Officer <sup>(3)</sup>	2012	190,941	–	15,444	112,816	21,025	340,227
	2011	189,139	–	12,150	16,112	20,930	238,331
	2010	185,195	–	15,525	5,000	20,736	226,456
Douglas E. McIntyre Vice Chairman <sup>(3)</sup>	2012	324,000	–	–	186,126	27,678	537,804
	2011	324,000	–	–	24,440	27,682	376,122
	2010	324,000	–	–	–	27,676	351,676
George Kalopsis President and Chief Operating Officer	2012	198,471	–	15,444	112,816	21,025	369,038
	2011	192,114	–	12,150	16,286	21,078	241,628
	2010	188,096	–	15,525	5,000	20,881	229,502
James Cizek President and CEO, American Colonial Insurance Company (U.S. Division) <sup>(1)</sup>	2012	295,436	–	23,166	85,307	26,232	430,141
	2011	278,914	–	20,655	21,500	26,219	347,288
	2010	275,000	–	22,396	6,500	23,164	327,060

(1) All compensation for Mr. Cizek is shown in \$US.

(2) Alvin Sharma was hired in September 2012

(3) Hemraj Singh and Douglas McIntyre retired at the end of December 2012

The value for shared-based awards represents the market value of RSUs granted based on the volume weighted average trading price of the Corporation's common shares on the TSX during the immediately preceding 5 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 1.1%; (ii) life expectancy of 5 years; (iii) estimated volatility of 26%; and (iv) no dividend yield. 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 for financial statements purposes.

### Components of Executive Compensation

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

#### Base Salary

The base salaries of our NEOs, including the CEO, are broadly based on salaries for comparable positions in the market. Our 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, base salaries are consistent with the terms of their respective employment agreements.

**Short Term Incentive Plan (STIP)**

Annual Bonus Plan: The purpose of this plan is to link compensation to a combination of individual contributions and Corporate performance that enhance shareholder and customer value, reward employees who help the Corporation achieve its business goals, and attract and retain the talent necessary for the Corporation’s success.

Administration of the Bonus Plan: All permanent employees, including NEOs and other executives, participate in the Annual Bonus Plan. The Bonus Plan formula for all employees is indicated below:

$$\text{Target Bonus} \times (50\% \text{ Underwriting Score} + 30\% \text{ Company Score} + 20\% \text{ Individual Score})$$

The Target Bonus will be paid for achieving budgeted amounts, as approved by the Board of Directors in advance of each year, subject to each employee’s personal performance and contribution to the Corporation. Actual bonuses paid will be a minimum of 0% and a maximum of 200% of target. The Underwriting score is based on budgeted underwriting profit by division/territory. All employees within a division/territory will receive the same score. Target amounts are based on the plan. The Company score is based on book value per share and measured against the annual plan.

The target bonus opportunity is communicated to each participant, based on the internal value of the position as well as alignment to the relevant market. This target incentive opportunity is expressed as a percentage of the participant’s salary, and reflects the bonus practice of other corporations for comparable positions.

**Equity Compensation Plan Information**

The following table sets out aggregate information as at December 31, 2012, concerning securities authorized for issuance under equity compensation plans.

<b>Plan Category</b>	<b>Number of Securities to be Issued upon Exercise of Options, Warrants and Rights (a)</b>	<b>Weighted – Average Exercise Price of Outstanding Options, Warrants and Rights (b)</b>	<b>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans [excluding securities reflected in (a)] (c)</b>
Equity Compensation Plans Approved by Securityholders	951,625	8.64	530,333
Equity Compensation Plans Not Approved by Securityholders	–	–	–
<b>Total</b>	951,625		530,333

The material features of the Corporation’s Stock Option Plan and Share Unit Plan, each of which has been approved by shareholders, are as follows.

**Stock Option Plan**

The Corporation uses the grant of stock options (“Options”), under its Stock Option Plan, as a performance incentive for senior employees, including the Chief Executive Officer, to provide the opportunity for overall compensation of senior management to be above industry average levels and to increase the mutuality of interests between management and shareholders. The Stock Option Plan is intended to provide long-term rewards linked directly to the market value of the Common Shares of the Corporation. The Corporation’s Board of Directors is of the view that the Stock Option Plan is in the best interests of the Corporation and will assist the Corporation to attract, motivate and retain talented and capable executives and management employees.

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

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

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

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

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

If, before the expiry of the Option, the employment of the Optionee with the Corporation or any subsidiary shall terminate by reason of death of the Optionee, such Option may be exercised by the legal representative(s) of the estate of the Optionee at any time during the first 180 days following the death of the Optionee. If at any time when an Option granted under the Stock Option Plan remains unexercised with respect to any optioned shares, (i) a general offer to purchase all of the issued Common Shares of the Corporation is made by a third party; or (ii) the Corporation proposes to sell all or substantially all of its assets or to merge or amalgamate with another company (except a subsidiary of the Corporation) under any circumstances that may involve or require the liquidation of the Corporation, a distribution of its assets among its shareholders, or the termination of the corporate existence, the Corporation shall use its best efforts to give an Optionee 21 days' notice of the effective date of such offer or proposal or otherwise as soon as practicable and (A) the Option may be exercised, as to all or any of the optioned shares in respect of which such Option has not previously been exercised, by an Optionee at any time up to and including a date 30 days following the date of the completion of such sale or prior to the close of business on the expiry date, whichever is earlier; and (B) the Corporation may require the acceleration of the time for the exercise of the Option and the time for the fulfilment of any conditions or restrictions on such exercise.

The Board of Directors may amend or discontinue the Stock Option Plan at any time upon receipt of applicable requisite regulatory and shareholder approval including without limitation, the approval of the TSX, provided, however, no such amendment may increase the maximum number of Common Shares that may be optioned under the Stock Option Plan, change the manner of determining the minimum exercise price or, without the consent of the Optionee, alter or impair any of the terms of any Option previously granted to an Optionee under the Stock Option Plan. Any amendments to the terms of an Option shall also require regulatory approval, including without limitation, the approval of the TSX. The Stock Option Plan provides that shareholder approval will be required for amendments to: increase the number of shares issuable pursuant to the Stock Option Plan; reduce the subscription price of an outstanding option of an insider; extend the term of any option granted under this Stock Option Plan to an insider beyond the termination date of the option; allow for a maximum term of an option to be greater than 10 years; expand the transferability of options; add to the categories of participants who may be designated for participation in the Stock Option Plan; allow for an option exercise period to commence earlier than the first anniversary of the date of grant, other than in the case of death, disability or a change in control; increase or delete the percentage limits relating to shares issuable or issued to insiders; increase or delete the percentage limit on shares reserved for issuance to any one person; amend the Stock Option Plan to provide for other types of compensation through equity issuance; and any amendment to the amendment provisions of the Stock Option Plan. Subject to the foregoing, the Board of Directors may amend any term or condition of the Stock Option Plan or any option granted other than the items specified as requiring shareholder approval.

The total number of Common Shares issuable in connection with outstanding, unexercised option grants under the Stock Option Plan as at March 14, 2013, is 902,625. The total number of Common Shares issued to date under the Stock Option Plan is 515,000 Common Shares (being approximately 4.3% of the current issued and outstanding Common shares). The total number of Common Shares issuable under the Stock Option Plan pursuant to unexercised granted options and options available to be granted is 1,181,958, representing 10% of the Corporation's number of outstanding Common Shares less grants outstanding under the Corporation's Share Unit Plan as at the date of the Circular. Of the 902,625 outstanding unexercised options, 91,000 Common Shares are fully vested, with 811,625 remaining unvested.

### **Share Unit Plan**

The Corporation has established a Share Unit Plan, under which the Board of Directors may from time to time determine (i) those eligible employees (a "participant") who shall receive a grant of Restricted Share Units ("RSUs") and/or Performance Share Units ("PSUs") (RSUs and PSUs are collectively referred to as "Share Units"), (ii) the number of such RSUs and/or PSUs and (iii) the grant date(s) applicable to such RSUs and/or PSUs.

The Share Unit Plan is intended to provide employees of the Corporation with an additional incentive to further the growth and development of the Corporation and will encourage them to remain with the Corporation.

The Governance Committee of the Board of Directors will administer the Share Unit Plan and will recommend to the Board of Directors the individual employees to whom grants of RSUs or PSUs should be made, as well as the amounts and terms of such grants. The selection of participants will be based on the participant's current and potential contribution to the Corporation and the terms of the grants may include performance targets or the achievement of certain collective performance-related criteria, such as the financial performance of the Corporation. The terms of any particular grant need not be identical to any other grant, and the Board of Directors may amend, suspend or terminate the terms of any grant, or the terms of the Share Unit Plan itself (subject to certain restrictions), without shareholder approval.

Each Share Unit granted under the Share Unit Plan will entitle the participant, upon satisfying all applicable vesting criteria, to receive one common share or, at the discretion of the Corporation, a cash payment equal to the market value of such share, calculated in accordance with TSX rules, on the date of payment. The grant of a Share Unit will not entitle the participant to exercise any voting rights, receive any dividends or exercise any other right which attaches to ownership of common shares.

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

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

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

The aggregate number of common shares which may be issued by the Corporation under the Share Unit Plan is limited to 300,000. All common shares subject to Share Units, that do not become vested or that otherwise expire, terminate or are cancelled without being settled, will be available for any subsequent Share Units under the Share Unit Plan.

As of March 14, 2013, 22,450 Common Shares (being approximately 0.19% of the issued and outstanding Common shares) have been issued under the Share Unit Plan and 45,000 Common Shares remain available for issuance pursuant to future grants under the Share Unit Plan (being approximately 0.38% of the issued and outstanding Common Shares).

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

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

Unless otherwise determined by the Board of Directors, in the event a participant dies, experiences a disability termination date or ceases to be employed by reason of retirement prior to the end of the vesting period relating to a grant, a number of Share Units determined by a formula will become vested Share Units.

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

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

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

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

The following table sets out, for each NEO, information concerning all option-based and share-based awards outstanding as of December 31, 2012. (This includes awards granted before the most recently completed financial year.)

Name	Option-based Awards				Share-based Awards	
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)	Number of shares or units of shares that have not vested (#)	Market or pay out value of share-based awards that have not vested (\$)
Steve Dobronyi	97,500	10.25	3/31/2015	–	45,000	422,100
	14,625	7.80	3/31/2016	23,108	–	–
	14,625	7.19	3/31/2017	32,029	–	–
	14,625	8.89	3/31/2020	7,166	–	–
Alvin Sharma	45,000	8.89	3/31//2020	22,050	–	–
Hemraj Singh	6,750	14.26	3/31/2013	–	–	–
	6,750	8.03	3/31/2014	9,113	–	–
	6,750	10.06	3/31/2015	–	–	–
	6,750	8.07	3/31/2016	8,843	–	–
	6,750	7.19	3/31/2017	14,783	–	–
	6,750	8.89	3/31/2020	3,308	–	–
Douglas E. McIntyre	9,750	14.26	3/31/2013	–	–	–
	9,750	8.03	3/31/2014	13,163	–	–
	47,125	10.06	3/31/2015	–	–	–
George Kalopsis	6,750	14.26	3/31/2013	–	–	–
	6,750	8.03	3/31/2014	9,113	–	–
	6,750	10.06	3/31/2015	–	–	–
	6,750	8.07	3/31/2016	8,843	–	–
	6,750	7.19	3/31/2017	14,783	–	–
	6,750	8.89	3/31/2020	3,308	–	–
James Cizek	6,750	10.47	3/31/2014	–	–	–
	6,750	9.26	3/31/2015	810	–	–
	22,500	10.06	3/31/2015	–	–	–
	10,125	7.76	12/31/2015	16,403	–	–
	10,125	7.87	11/30/2016	15,289	–	–
	10,125	8.89	3/31/2020	4,961	–	–

#### 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, 2012.

<b>Name</b>	<b>Option-based awards – Value vested during the year (\$)</b>	<b>Share-based awards – Value vested during the year (\$)</b>	<b>Non-equity incentive plan compensation – Value earned during the year (\$)</b>
Steve Dobronyi	–	66,750	30,333
Hemraj Singh	–	–	21,025
Douglas E. McIntyre	–	–	27,678
George Kalopsis	–	–	21,402
James Cizek	–	–	26,232

### **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 are eligible to participate in employee benefit programs and plans that are generally available to all full-time and part-time employees (subject to fulfilling certain eligibility requirements). These include benefits such as our 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 our employee stock purchase plan and group retirement savings plan. In designing these benefits, we seek to provide an overall level and mix of benefits that is competitive with those offered by corporations in our comparator group.

#### ***Perquisites***

Certain perquisites are made available to NEOs. These include car allowance payments and a perquisite allowance. These types of perquisites are common among executives in our industry. In addition, providing them as perquisites (as opposed to increasing base salary in an amount designed to compensate for the loss of these perquisites) avoids the increase that would otherwise occur in certain other benefit costs that are based on the level of an executive's base salary.

### **Termination and Change of Control Provisions**

NEOs may receive certain payments or benefits at, following, or in connection with a Change of Control of the Corporation, a change in the NEO's responsibilities, or a NEO's termination, including resignation, severance, retirement or constructive termination.

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

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

#### ***Steve Dobronyi, Chief Executive Officer***

Mr. Dobronyi's employment agreement with EGI provides for certain payments and benefits following his termination by EGI, other than for cause, death or disability. Upon such termination, Mr. Dobronyi would be entitled to two years base salary, target short-term incentive compensation at the then current rate, with continuation of benefit coverage, less appropriate deductions.

In the event of a Change of Control, notice of termination by EGI would be deemed to have been given to Mr. Dobronyi on the 30th day following the time of such Change of Control; however, such notice may be rescinded upon the mutual agreement by the parties.

If such rights upon termination had been triggered as of December 28, 2012, the last business day of the Corporation's most recently completed financial year, the incremental payments are estimated to be \$995,229.

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

***Jim Cizek, President and CEO, American Colonial Insurance Corporation (U.S. Division)***

Mr. Cizek's employment agreement with EGI provides for certain payments and benefits following his termination by the Corporation, other than for cause, death or disability. Upon such termination, Mr. Cizek would be entitled to two years base salary, target short-term incentive compensation at the then current rate, with continuation of benefit coverage, less appropriate deductions.

In the event of a Change of Control, notice of termination by the Corporation would be deemed to have been given to Mr. Cizek on the 30th day following the time of such Change of Control; however, such notice may be rescinded upon the mutual agreement by the parties.

If such rights upon termination had been triggered as of December 28, 2012, the last business day of the Corporation's most recently completed financial year, the incremental payments are estimated to be \$941,287.

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

***Douglas E. McIntyre, Vice Chairman***

Mr. McIntyre retired from employment with EGI on December 31, 2012, although he continues as Vice-Chair of the Board of Directors of each of the Corporation and Echelon. His employment agreement with EGI provides for certain payments and benefits following his retirement date, under which Mr. McIntyre is entitled during the period up to the end of 2013 to base salary, monthly short-term incentive compensation equal to one twenty-fourth of the bonus amounts paid or payable to Mr. McIntyre for each of the 2010 and 2011 calendar years, and continuation of benefit coverage, less appropriate deductions.

As of December 28, 2012, the last business day of the Corporation's most recently completed financial year, the incremental payments are estimated to be \$487,716.

These entitlements post-termination are subject to Mr. McIntyre's continued duty of confidentiality, his agreement not to solicit, for a period up to and including December 31, 2013, any customer or any employee of EGI for the benefit or on behalf of any competing business nor to attempt to direct any such customer or employee to terminate his, her or its relationship with the Corporation or to modify that relationship in a manner that conflicts with the Corporation's interests, and his agreement for a period up to and including December 31, 2013, not to provide similar services to any entity competing with the Corporation or Echelon within Canada, and nor to own, operate, join, control or participate in the ownership, management, operation or control of, or be employed or otherwise connected in any manner with, any business that competes with the Corporation or Echelon within Canada.

***Other Employment Agreements***

The Corporation has employment agreements with all the other NEOs which will automatically continue from year to year thereafter from January 1<sup>st</sup> of each year. The amount of salary and the value of benefits paid under these agreements have been included in the Summary Compensation Table for the NEOs.

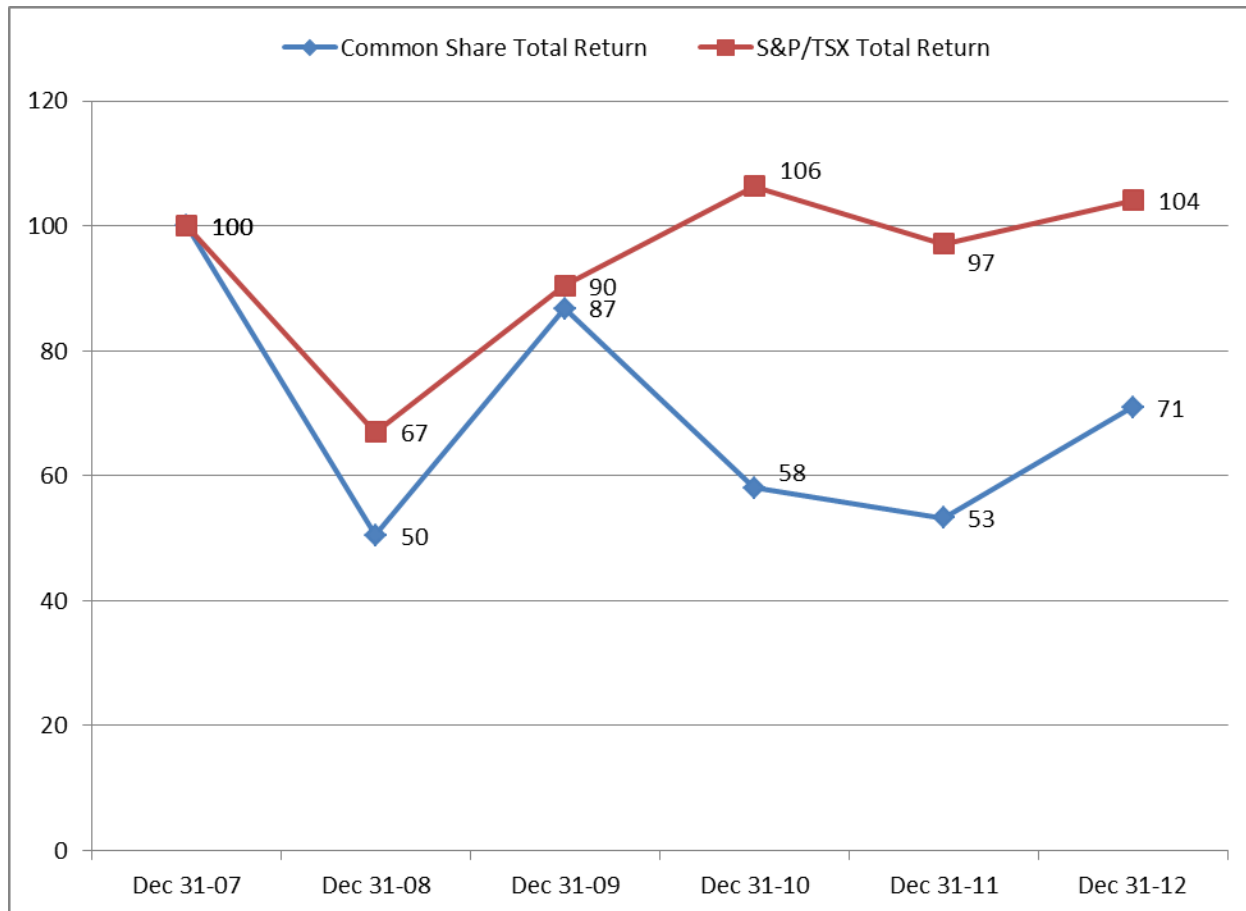
These employment agreements also provide for participation by the NEO in the Corporation's employee benefits plan. These employment agreements also provide for the payment of benefits upon the death or total disability of the NEO prior to retirement or termination.

**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, 2007, as compared with the cumulative return on a \$100 investment in the S&P/TSX Index made on December 31, 2007. The Common Share performance as set out in the graph does not necessarily indicate future price performance.



	31 Dec 2007	31 Dec 2008	31 Dec 2009	31 Dec 2010	31 Dec 2011	31 Dec 2012
Common Shares	100	50	87	58	53	71
S&P/TSX Index	100	67	90	106	97	104

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 STIP. 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

Although eligible by its terms, Directors do not participate in the Corporation's Stock Option Plan. Directors are entitled to be reimbursed for expenses incurred by them in their capacity as directors. Directors who are also officers or employees of the Corporation were not paid any amount as a result of their serving as directors of the Corporation.

During the financial year ended December 31, 2012, directors of the Corporation who were not officers or employees of the Corporation were entitled to be paid fees as shown in the following table:

Non-Executive Chair Retainer	\$22,500
Director Retainer	17,500
Board Meeting	1,000
Audit and Risk Committee Chair Retainer	5,000
Other Committee Chair Retainer	2,500
Committee Chair Meeting	750
Committee Member Retainer	0
Committee Member Meeting	750
Telephone Meeting	750

#### Director Compensation Table

Name	Fees earned (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Scott Clark	37,500	–	–	–	–	–	37,500
Mary G. Connolly	15,813	15,813	–	–	–	–	31,626
G. Mark Curry	19,813	19,813	–	–	–	–	39,626
Paul F. Little	21,500	21,500	–	–	–	–	43,000
Robert Purves	21,188	21,188	–	–	–	–	42,376
Bruce West	31,375	–	–	–	–	–	31,375
Patrick W. Hodgson	13,750	–	–	–	–	–	13,750

#### Notes:

1. Director's fees to which Scott Clark is entitled are paid at his direction to Covington Fund II Inc.
2. Director's fees to which Bruce West is entitled are paid at his direction to The Co-operators Group Limited.
3. Compensation paid to Douglas McIntyre is reported in the NEOs Summary Compensation Table. Mr. McIntyre did not receive any compensation as a director.

#### Directors' Deferred Share Unit Plan

An eligible director, who is not otherwise a employee of the Corporation or any affiliate and is not employed by a corporation that holds at least 100,000 Shares of the Corporation, is eligible to participate in a Deferred Share Unit Incentive Plan (the "DSU Plan"), which allows them to elect to defer all or a portion of their annual retainer and meeting fees received 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.

#### Indebtedness of Directors and Executive Officers

The following table sets out the indebtedness of directors and executive officers of the Corporation (including any person who, during the financial year ended December 31, 2012, was, but is not at the date of this Circular, a director or executive officer of the Corporation), nominees for election as directors, and any associates of any of the foregoing persons, during the financial year ended December 31, 2012, to the Corporation or its subsidiaries, or to other entities if the indebtedness to such other entities is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries.

#### Indebtedness of Directors and Executive Officers under Securities Purchase Program:

Name and Principal Position	Involvement of Corporation or Subsidiary	Largest Amount Outstanding During 2011	Amount Outstanding as at March 5, 2013	Financially Assisted Securities Purchased During 2010	Security for Indebtedness	Amount Forgiven During 2011
Mary Connolly, Director	Corporation	\$58,450	\$48,731	\$0	Common Shares purchased with loan	\$0

#### 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 \$20,000,000, subject to a \$100,000 deductible for Corporation Indemnification Coverage. The premium paid by the Corporation during fiscal 2012 for this coverage was \$102,222.

#### INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

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

EGI has entered into transactions with two related parties, Co-operators General Insurance Corporation and Purves Redmond Limited ("Purves Redmond"). These transactions are carried out in the normal course of operation and are measured at cost which approximates fair value. The transactions involving Co-operators General Insurance Company, which is an insider of the Corporation, consist principally of the agent channel of distribution. Purves Redmond is involved in arranging insurance coverage for the companies within the EGI group. Robert Purves, a shareholder and director of the Corporation, is also a shareholder and chairman of Purves Redmond.

#### STATEMENT OF CORPORATE GOVERNANCE PRACTICES

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

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

#### The Board of Directors

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

The Board of Directors is currently comprised of ten members, all of whom are "independent directors" within the meaning of the National Instrument. The directors are Scott Clark, Mary Connolly, Peter Crawford, G. Mark Curry, Patrick Hodgson, Paul F. Little, Douglas E. McIntyre, Robert Purves, Angus Ross and Bruce West.

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, Robert Purves, is an independent director. The Chair is responsible for acting as the communication link between the directors and the management of the Corporation, and managing the affairs of the Board of Directors.

The independent directors on the Board of Directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. Since January 1, 2012, 5 such meetings were held.

The information presented below reflects the Board of Directors and Board Committee meetings held since January 1, 2012, up to March 14, 2013, and attendance of the directors during such time.

#### Summary of Board of Directors and Committee Meetings Held

Meeting	Number of meetings held
Board of Directors	7
(a) Audit and Risk Committee	6
(b) Governance Committee	5
(c) Investment Committee	5

#### Summary of Attendance of Directors

Director	Total Board meetings attended	Total Committee meetings attended
Scott Clark	6 of 7	10 of 10
Mary Connolly	7 of 7	7 of 7
Peter Crawford	2 of 2	2 of 2
G. Mark Curry	7 of 7	11 of 14
Patrick W. E. Hodgson	3 of 4	6 of 6
Paul F. Little	7 of 7	7 of 8
Douglas E. McIntyre	6 of 7	5 of 5
Robert Purves	7 of 7	9 of 9
Angus Ross	2 of 2	1 of 1
Bruce West	6 of 7	6 of 7

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

Director	Public Company
Scott Clark	Covington Fund II Inc., Covington Strategic Capital Fund Inc., Covington Venture Fund Inc. and New Generation Biotech Equity Fund Inc.
G. Mark Curry	Killbear Acquisition Corp.
Patrick W.E. Hodgson	M&T Bank Corporation
Paul Little	Killbear Acquisition Corp.; Corporate Catalyst Acquisition Inc.

#### 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: the Audit and Risk Committee, the Governance Committee, and the Investment Committee. Each of these has a charter defining its responsibilities.

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

## **Position Descriptions**

The Board of Directors has developed written position descriptions for the CEO, the Chair of the Board and for the chairs of each Board committee.

### ***Position Description of the Chief Executive Officer***

Reporting to the Board of Directors, the CEO has overall accountability, responsibility and authority for the management of the business and affairs of the Corporation in accordance with the strategic plan and objectives adopted and approved by the Board and subject to oversight by the Board. Principal responsibilities include:

- Developing the strategic direction of the Corporation, along with the Board, implementing and ensuring its effective operations, and keeping the Board informed in a timely manner of the progress of the Corporation on the achievement of or material deviations from the strategic goals;
- Putting in place the Corporation's annual business plan, as determined with the Board, and including the financial and budget requirements to achieve that plan and for delivery of results against that plan;
- Ensuring that the Corporation's policies with respect to ethical and moral standards are met, and that the Corporation is in full compliance with applicable laws and regulations;
- Developing and executing the strategy and policies of the Corporation and communicating these to the Corporation's stakeholders;
- Representing the Corporation to its major stakeholders, including shareholders and policyholders, the financial community, governmental authorities and the public.

### ***Position Description of the Chair of the Board***

The Chair of the Board is responsible for leading the performance by the Board of Directors of the Corporation. The Chair is a non-executive Chair and as such is not responsible for the management of any aspect of the Corporation's business. The primary focus of the Chair is on governance, maintaining ethical standards and building the Board into an effective, high performing team capable of fulfilling the broad range of its responsibilities, including strategic planning and succession planning. The Chair should strive to create and maintain an effective Board culture at all times and in all situations the Chair will:

- Provide leadership to the Board on specific issues;
- Assist the Board in performing its duties and meeting its obligations, including those specified in the mandate of the Board;
- In accordance with the policy of the Board, act as the spokesperson for the Board;
- At the request of the Board and/or the Chief Executive Officer of the Corporation act as an intermediary between the Board and the CEO and at the request of the Board and/or the CEO, provide advice and counsel to the CEO.

### ***Position Description of the Chair of the Governance Committee of the Board***

The Chair of the Governance Committee of the Board of Directors is to facilitate highly effective performance by the Committee in fulfilling its duties and responsibilities under its mandate. The Chair is not an executive of the Corporation and is not responsible for the management of any aspect of the Corporation's business. In discharging his/her responsibility, the Chair will, from time to time:

- Provide leadership to the Committee on specific issues;
- In accordance with the direction of the Committee, act as the spokesperson for the Committee

### ***Position Description of the Chair of the Audit and Risk Committee of the Board***

The Chair of the Audit and Risk Committee of the Board of Directors is responsible for providing leadership to the Committee in fulfilling its duties and responsibilities under its mandate, and doing so at a very high and effective level of performance. In discharging this responsibility, the Chair must create and manage effective working relationships among the Committee members, management and the external auditors. The nature of that relationship should be characterized by the timely sharing of information and concerns, and by the willingness to work together in the best interests of the Corporation and its shareholders.

It is important that the Chairman:

- Meets the Committee's requirements as expressed by its members from time to time;
- Acts as the Committee's spokesperson as required;

- Provides advice and counsel on matters relating to the work of the Committee to:
  - The CEO, CFO or other members of management;
  - The Board of Directors
  - The external auditors;
- Reviews, annually, the Audit and Risk Committee mandate;
- In collaboration with the CFO and the External Auditors creates an annual Work Plan for the Committee

#### ***Position Description of the Chair of Investment Committee***

The Chair of the Investment Committee provides leadership to enhance the Committee's effectiveness by:

- Ensuring that the areas of responsibilities of the Committee and management are understood and respected by both;
- Overseeing the discharge of the Committee's responsibilities including its reporting to the Board members;
- Acting as the liaison between the Committee and management by working with the Chief Executive Officer or his delegate to ensure that proper information is brought to the Committee including regular management reports and documentary materials in support of management's proposals.

#### **Orientation and Continuing Education**

The Governance Committee's duties include ensuring that new members of the Corporation's Board of Directors elected to the Board receive appropriate orientation. 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.

#### **Ethical Business Conduct**

Under the guidance of the Audit and Risk Committee, the Board of Directors has adopted a written code of ethics (the "Code") for the Corporation's 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 through SEDAR at [www.sedar.com](http://www.sedar.com).

The Audit and Risk 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.

The Corporation's managers and Chief Compliance Officer together are responsible for communicating the Code to officers and employees. The Vice President, Human Resources monitors overall compliance with the Code, provided that all issues and concerns specifically related to accounting, internal financial controls and/or auditing will be reviewed and forwarded to the Audit and Risk Committee.

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

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

#### **Audit and Risk Committee**

Currently, the Audit and Risk Committee is comprised of five directors of the Corporation. The members of the Audit and Risk Committee are Peter Crawford (Chair), Mary Connolly, Patrick Hodgson, Angus Ross and Bruce West, all of whom are independent and financially literate for the purposes of NI 52-110, and at least one of whom has accounting or related financial management experience. Further disclosure relating to the Audit and Risk Committee and its members, as required by NI 52-110 can be found on pages 12 and 13 and in Appendix "A" of the Corporation's Annual Information Form dated March 14, 2013, which is available on [www.sedar.com](http://www.sedar.com).

## **Governance Committee**

The current members of the Governance Committee are Bruce West (Chair), Scott Clark, Peter Crawford and Mary Connolly. None of the members of the Governance Committee are officers or employees or former officers or employees of the Corporation.

The Governance Committee meets the best practice requirements for independence for the purposes of NI 52-110. The Governance Committee is comprised of a minimum of three directors, all of them being independent directors, and none of whom is an officer or employee of the Corporation. None of the Governance Committee members are eligible to participate in the Corporation's executive compensation programs. The Governance Committee's breadth of executive compensation knowledge was developed from their different combined experiences, as entrepreneurs, business owners and top executives in large corporations.

The Governance Committee is responsible for, among other things, reviewing and recommending the form and adequacy of compensation arrangements for executives, officers and directors, having regard to associated risks and responsibilities. In addition, the Governance Committee also functions as a nominating committee. It is responsible for identifying, screening and recommending candidates to the Board for Board membership. When formulating its Board membership recommendations, the Governance Committee considers advice and recommendations from others as it deems appropriate. Nominees for director are selected on the basis of, among other things, experience, knowledge, skills, expertise, integrity, ability to make independent analytical inquiries, understanding of the Corporation's business environment and willingness to devote adequate time and effort to Board responsibilities. The procedures for operation of the nominating committee are set out in Schedule "B".

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

The Governance Committee is also responsible for business conduct review, Board assessments and committee assignments.

Further information regarding the activities and recommendations of the Governance Committee is provided in the "Executive Compensation" section of this Circular.

### **Activities of the Governance Committee in 2012:**

In 2012, the Committee, in accordance with its mandate, accomplished the following:

#### **Compensation**

- Reviewed the market positioning of the Corporation and conducted annual merit and market review of executive, officer and senior management compensation, including that of the CEO;
- Reviewed and approved the remuneration for senior management;
- Reviewed and approved Short-Term Incentive Plans for Senior Management and employees and Long-Term Incentive Plans including plans for Senior Management;
- Reviewed and approved the CEO's Short-Term Incentive Plans, Long-Term Incentive Plans and total compensation;

#### **Assessments and Succession Planning**

- Reviewed the assessment of the CEO and the CEO's performance objectives for 2012 and reported to the Board of Directors in relation to the approval by the Board of Directors of the compensation of the CEO;

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

- Reviewed and approved the Executive Compensation section and compensation and data analysis of the 2012 Management Proxy Circular;
- Reviewed and approved the mandate of the Committee

## **Other Board Committees of the Board of Directors**

In addition to the Audit and Risk Committee and the Governance Committee, the Board of Directors also has an Investment Committee.

The Investment Committee is comprised of G. Scott Clark (Chair), Mark Curry, Patrick Hodgson, Paul F. Little, and Douglas E. McIntyre, all of whom are independent for the purposes of NI 52-110. The Investment Committee is responsible for, among other things, reviewing and recommending to the Board formal investment guidelines including objectives and investment constraints, for all portfolios of investment assets within the Corporation.

## **Assessments**

The Governance Committee is responsible for assessing the effectiveness of the Board, as a whole, and the committees of the Board. The Governance Committee sponsors a periodic self-assessment of the Board's performance as well as the performance of each committee of the Board. The Governance Committee will utilize the results of this self-evaluation process in assessing and determining the characteristics and critical skills required of prospective candidates for election 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".

## **Majority voting**

The Corporation has not adopted a majority voting policy for election of directors for non-contested meetings, whereby if the number of securities withheld from voting for a particular director nominee exceeds the number of securities voted for the election of that director nominee, then such elected director would be expected to tender his or her resignation. The practice of the Corporation is to consider the directors elected in accordance with the applicable corporate law and securities law requirements to be duly elected directors. For the reasons expressed above, the Corporation considers that its director nominees represent the appropriate set of individuals with the experience, skills and characteristics who are suitable for a well-balanced and competent board of directors. In addition, the Board of the Corporation is designed to match the board of directors of its principal operating subsidiary, Echelon. The Corporation feels there are other mechanisms through which shareholders may nominate alternative directors if desired.

## **ADDITIONAL INFORMATION**

Additional information relating to the Corporation is contained at the Corporation's website, [www.egi.ca](http://www.egi.ca) and 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, 2012, is provided in the Corporation's comparative financial statements for the year ended December 31, 2012, and management's discussion and analysis of such financial results.

Upon request to the Corporation, at 2680 Matheson Blvd. East, Suite 300, Mississauga, Ontario L4W 0A5, fax number 905-214-8028, 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, 2012, and any interim financial statements of the Corporation issued after December 31, 2012, together with management's discussion and analysis of such financial results.

## **SHAREHOLDER PROPOSALS**

Persons entitled to vote at the next annual meeting of the Corporation who wish to submit a proposal for consideration at the meeting must submit their proposal to the Corporation before March 14, 2014.

\* \* \* \* \*

## **DIRECTORS' APPROVAL**

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

Dated as of April 2, 2013.



**EGI Financial Holdings Inc.**

**Board of Directors Mandate**

The following mandate has been adopted by the Board of Directors (the "Board") of EGI Financial Holdings Inc. (the "Company") to assist the Board in the exercise of its responsibilities. This mandate reflects the Board's commitment to designing corporate governance principles and guidelines to monitor the effectiveness of policy and decision making both at the Board and management level, with a view to enhancing long-term shareholder value. This mandate is subject to modification from time to time by the Board.

**THE BOARD**

**Role of Directors**

The business and affairs of the Company shall be managed by or under the direction of the Board. The Board has responsibility for the stewardship of the company.

**The Board's Goals**

The Board's goals are to build long-term value for the Company's shareholders, to create a culture of integrity and to assure the vitality of the Company for its customers, employees and the other individuals and organizations who depend on the Company.

To achieve these goals the Board will monitor both the performance of the Company (in relation to its goals, strategy, conduct and competitors) and the performance of the Chief Executive Officer and other senior management, and offer constructive advice and feedback.

**Size of the Board**

The Board believes that it should generally have no fewer than seven and no more than ten directors. This range permits diversity of experience without hindering effective discussion or diminishing individual accountability. The size of the Board could, however, be increased or decreased if determined to be appropriate by the Board. For example, it may be desirable to increase the size of the Board in order to accommodate the availability of an outstanding candidate for director.

**Selection of New Directors**

The Board shall be responsible for nominating members for election to the Board and for filling vacancies on the Board that may occur between annual meetings of stockholders. The Governance Committee is responsible for identifying, screening and recommending candidates to the Board for Board membership. When formulating its Board membership recommendations, the Governance Committee shall also consider advice and recommendations from others as it deems appropriate.

**Board Membership Criteria**

Nominees for director shall be selected on the basis of, among other things, experience, knowledge, skills, expertise, integrity, ability to make independent analytical inquiries, understanding of the Company's business environment and willingness to devote adequate time and effort to Board responsibilities.

The Governance Committee shall be responsible for assessing the appropriate balance of criteria required of Board members.

**Other Public Company Directorships**

The Company does not have a policy limiting the number of other public company boards of directors upon which a director may sit. However, the Governance Committee shall consider the number of other public company boards and other boards (or comparable governing bodies) on which a prospective nominee is a member.

**Independence of the Board**

The Board shall be comprised of a majority of directors who qualify as independent directors ("Independent Directors") under the criteria of section 1.4 of Multilateral Instrument 52-110 ("Rule 52-110").

The Board shall review annually the relationships that each director has with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). Following such annual review, only those directors who the Board affirmatively determines have no direct or indirect material relationship with the Company which could, in the view of the Board, be reasonably expected to interfere with the exercise of a member's independent judgment will be considered Independent Directors, subject to additional qualifications prescribed under the standards of any applicable exchange or under applicable law. The Board may adopt and disclose categorical standards to assist it in determining director independence.

#### **Directors Who Change Their Present Job Responsibility**

The Board does not believe that directors who retire or change the position they held when they became a member of the Board should necessarily be obligated to leave the Board. Promptly following such event, the director must notify the Governance Committee, which shall review the continued appropriateness of the affected director remaining on the Board under the circumstances. The affected director is expected to act in accordance with the Governance Committee's recommendation following such review.

#### **Board Compensation**

A director who is also an officer of the Company shall not receive additional compensation for such service as a director.

The Governance Committee will periodically review the level and form of the Company's director compensation, including how such compensation relates to director compensation of companies of comparable size, industry and complexity.

Director's fees (including any additional amounts paid to chairs of committees and to members of committees of the Board) are the only form of compensatory fee a member of the Audit and Risk Committee may receive from the Company.

#### **Strategic Direction of the Company**

The Board is responsible for adopting a strategic planning process. It is management's job to formalize, propose and implement strategic choices and the Board's role to approve strategic direction and evaluate strategic results. At least annually, the Board shall consider a strategic plan presented by management which takes into account, among other things, the opportunities and risks of the business. As a practical matter, the Board and management will be better able to carry out their respective strategic responsibilities if there is an ongoing dialogue among the Chief Executive Officer, other members of top management and other Board members. To facilitate such discussions, members of senior management who are not directors may be invited to participate in Board meetings when appropriate.

#### **Risk Identification**

The Board or its designated committees shall regularly discuss with management the process for the identification of the principal risks of the Company's business, and shall oversee the implementation of appropriate systems, including internal control and management information systems, to manage those identified risks.

#### **Board Access to Management**

Board members shall have access to the Company's management and, as appropriate, to the Company's outside advisors. Board members shall coordinate such access through the Chief Executive Officer and Board members will use judgment to assure that this access is not distracting to the business operation of the Company.

#### **Attendance at Meetings**

A director is expected to spend the time and effort necessary to properly discharge such director's responsibilities. Accordingly, a director is expected to regularly attend meetings of the Board and committees on which such director sits, and to review prior to meetings material distributed in advance for such meetings. A director who is unable to attend a meeting (which it is understood will occur on occasion) is expected to notify the Chairman of the Board or the Chairperson of the appropriate committee in advance of such meeting.

#### **Frequency of Meetings**

There shall be at least four regularly scheduled meetings of the Board each year. At least one regularly scheduled meeting of the Board shall be held in each quarter.

### **Attendance of Management Personnel at Board Meetings**

The Board encourages the Chief Executive Officer to bring members of executive management from time to time into Board meetings to (i) provide management insight into items being discussed by the Board which involve the executive; (ii) make presentations to the Board on matters which involve the executive; and (iii) bring executives with significant potential into contact with the Board. Attendance of such management personnel at Board meetings is at the discretion of the Board. Should the Chief Executive Officer desire to add additional members of management as attendees on a regular basis, this should be suggested to the Board for its concurrence.

### **Separate Sessions of Non-Management Directors**

The non-management directors of the Company shall meet regularly in executive session without management present.

### **Board Materials Distributed in Advance**

Information and materials that are important to the Board's understanding of the agenda items and other topics to be considered at a Board meeting should, to the extent practicable, be distributed sufficiently in advance of the meeting to permit prior review by the directors. In the event of a pressing need for the Board to meet on short notice or if such materials would otherwise contain highly confidential or sensitive information, it is recognized that written materials may not be available in advance of the meeting.

### **Self-Evaluation by the Board**

The Governance Committee will sponsor an annual self-assessment of the Board's performance as well as the performance of each committee of the Board, the results of which will be discussed with the full Board and each committee. The assessment should include a review of any areas in which the Board or management believes the Board can make a better contribution to the Company. The Governance Committee will utilize the results of this self-evaluation process in assessing and determining the characteristics and critical skills required of prospective candidates for election to the Board and making recommendations to the Board with respect to assignments of Board members to various committees.

### **Board Orientation and Continuing Education**

The Company shall provide new directors with director orientation to familiarize such directors with, among other things, the Company's business, strategic plans, significant financial, accounting and risk management issues, compliance programs, principal officers, and independent auditors. The Company 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 COMMITTEES**

### **Number and Names of Board Committees**

The Company shall have three standing committees: Audit and Risk, Governance and Investment. The purpose and responsibilities for the Audit and Risk, Governance and Investment committees shall be outlined in committee charters adopted by the Board. The Board may, from time to time, form a new committee or disband a current committee (other than the Audit and Risk Committee) depending on circumstances. In addition, the Board may determine to form ad hoc committees from time to time, and determine the composition and areas of competence of such committees.

### **Independence of Board Committees**

Each of the Audit and Risk Committee and the Governance Committee shall be composed entirely of Independent Directors satisfying Rule 52-110 (in the case of the Audit and Risk Committee, including both sections 1.4 and 1.5 thereof) and all other applicable legal, regulatory and stock exchange requirements necessary for an assignment to any such committee. The Investment Committee shall be composed of a majority of Independent Directors.

### **Assignment and Rotation of Committee Members**

The Governance Committee shall be responsible, after consultation with the Chairman of the Board and the Chief Executive Officer, for making recommendations to the Board with respect to the assignment of Board members to various committees. After reviewing the Governance Committee's recommendations, the Board shall be responsible for appointing the members to the committees on an annual basis.

The Governance Committee shall annually review the Committee assignments and shall consider such assignments with a view toward balancing the benefits derived from continuity against the benefits derived from the diversity of experience and viewpoints of the various directors.

## **LEADERSHIP DEVELOPMENT**

### **Selection of the Chief Executive Officer**

The Board shall be responsible for identifying potential candidates for, and selecting, the Company's Chief Executive Officer. In doing so, the Board shall consider, among other things, a candidate's experience, understanding of the Company's business environment, leadership qualities, knowledge, skills, expertise, integrity, and reputation in the business community. When it is appropriate or necessary, it is the Board's responsibility to remove the Chief Executive Officer and to select a successor.

### **Evaluation of Chief Executive Officer**

The Governance Committee will conduct an annual performance review of the Chief Executive Officer based on the performance of the business, achievement of the Company's financial and strategic objectives, development of management, and as further set forth in its charter.

### **Succession Planning**

The Board is responsible for developing a succession plan for the Chief Executive Officer, and to discuss with the Chief Executive Officer succession plans for other senior management, and will review the plan each year.

## NOMINATING COMMITTEE PROCEDURES AND DIRECTOR QUALIFICATIONS

The Governance Committee established by the Board of Directors of EGI Financial Holdings Inc. (the “Company”) is responsible for identifying, screening and recommending candidates to the Board to become members of the Company’s Board of Directors, including the board of directors of any of the Company’s subsidiaries, considering advice and recommendations from others as it deems appropriate. For purposes of these procedures, the Governance Committee is constituted as the “Nominating Committee”.

Potential candidates for these positions are identified by the Board of Directors and 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 received as provided below. Potential candidates for nomination for these positions must provide written information about their qualifications and participate in interviews conducted by individual Board members, including the Chair of the Nominating Committee. Candidates are evaluated using the criteria adopted by the Board to determine their qualifications based on the information supplied by the candidates and information obtained from other sources.

The Committee will consider shareholder nominations for these positions that meet the notification; timeliness; consent and information requirements of the Company’s By-Laws applicable to nominations that are brought before an annual meeting by a shareholder. The Committee makes no distinctions in evaluating nominees for positions on the Board based on whether or not a nominee is recommended by a shareholder, provided that the procedures with respect to nominations are followed.

In recommending candidates for election for these positions, the Nominating Committee will take into consideration the need for the Board to have a majority of Directors that meet the independence requirements of the Corporate Governance Standards of the Canadian Securities Administrators (or other applicable requirements in the case of a subsidiary of the Company) and such other criteria as shall be established from time to time by the Board of Directors.

The Nominating Committee will recommend candidates for election as Directors only if they have the qualifications indicated below, which have been recommended by the Committee to, and approved by, the Board of Directors. The candidate should possess the highest personal and professional ethics, integrity and values, and must be committed to representing the long-term interests of the Company and its shareholders. They must have an objective perspective, practical wisdom and mature judgment, as well as an understanding of the Company’s business and the willingness to question what they do not understand.

### **Consideration of Candidates Recommended by Shareholders**

The Nominating Committee will consider candidates submitted by Company shareholders. The policies and procedures with respect to the consideration of such candidates are set forth below:

- The recommended candidate is to be submitted to the Company in writing addressed to the Company’s Chairman and the Nominating Committee. The recommendation shall be in writing and shall include the following information: full name of candidate (no initials); date of birth; citizenship; residence address; phone and fax number of candidate; a summary of the candidate’s educational, professional and business qualifications; a statement signed by the candidate certifying that the candidate wishes to be considered for nomination to the Company’s Board of Directors; confirmation if the candidate is an officer or an employee of a financial institution or any affiliate of a financial institution; confirmation if the candidate is a director, officer or an employee of other corporate bodies; and information responsive to the requirements of the Toronto Stock Exchange with respect to the candidate; and states the number of shares of Company stock beneficially owned by the candidate or over which the candidate exercises control or direction, directly or indirectly.
- The recommendation shall include a written statement of the candidate as to why the candidate believes that he or she meets the Director Qualification Criteria and would otherwise be a valuable addition to the Company’s Board of Directors.
- The Nominating Committee shall evaluate the recommended candidate and shall, after consideration of the candidate after taking account of the Director Qualification Criteria set forth below, determine whether or not to proceed with the candidate in accordance with the procedures outlined under “Process for Identifying Candidates” below.

These procedures do not create a contract between the Company, on the one hand, and a Company security holder(s) or a candidate recommended by a Company security holder(s), on the other hand. The Company reserves

the right to change these procedures at any time, consistent with the requirements of applicable law and rules and regulations.

### **Director Qualifications Criteria**

A majority of the Board of Directors of the Company must be “independent” in accordance with the independence requirements of the Corporate Governance Standards of the Canadian Securities Administrators (or in compliance with other applicable requirements in the case of a subsidiary of the Company). The minimum qualifications for an independent candidate are as follows:

- The highest personal and professional ethics, integrity and value
- Broad-based skills and experience at an executive, policy-making level in business, academia, government or technology areas relevant to the Company's activities
- Leadership Experience: Such person should possess significant leadership experience, such as experience in business, finance/accounting, law, education or government, and shall possess qualities reflecting a proven record of accomplishment and ability to work with others
- Absence of Conflicting Commitments: Such person should not have commitments that would conflict with the time commitments of a Director of the Company. Each Director should be free of any conflict of interest which would interfere with the proper performance of the responsibilities of a Director.
- Reputation and Integrity: Such person shall be of high repute and recognized integrity and not have been convicted in a criminal proceeding or be named a subject of a pending criminal proceeding (excluding traffic violations and other minor offenses). Such person shall not have been found in a civil or regulatory proceeding to have violated any insurance, securities or commodities law, and shall not be subject to any court or regulatory order or decree limiting his or her business activity, including in connection with the purchase or sale of any security or commodity.
- A willingness to devote sufficient time to become knowledgeable about the Company's business and to carry out his or her duties and responsibilities effectively

Candidates who will serve on the Audit and Risk Committee must have the following additional characteristics:

- All candidates must be financially literate, i.e. have the ability to read and understand fundamental 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; provided that if the Board of Directors has determined that this would not materially adversely affect the ability of the Audit and Risk Committee to act independently and perform its duties, a new Audit and Risk Committee member who is not financially literate may become financially literate within a reasonable period of time following his or her appointment.

Other factors considered in the selection process may include, but are not limited to the following:

- Experience in the technology areas relevant to the Company's activities;
- Experience as a director or executive officer of a public company or insurance company;
- Experience as an independent public accountant;
- Significant academic experience in a field of importance to the Company; and
- Recent experience in an operating role at a public company

### **Process for Identifying and Evaluating Candidates**

The Nominating Committee's process for identifying and evaluating candidates is:

- 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, with specific criteria or to fill any vacancy.
- The Chair of the Nominating Committee 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
- The Nominating Committee identifies an initial slate of candidates, including any recommended by shareholders and accepted by the Nominating Committee, after taking account of the Director Qualifications Criteria set forth above.

- The Nominating Committee determines if any Board members have contacts with identified candidates and if necessary, uses a search firm.
- The Chairman of the Board, the Chief Executive Officer and at least one member of the Nominating Committee interview prospective candidate(s).
- The Nominating Committee keeps the Board informed of the selection progress.
- The Nominating Committee meets to consider and approve final candidate(s)
- The Nominating Committee presents selected candidate(s) to the Board and seeks full Board endorsement of such candidate(s).

When a Director's principal occupation, business association or other relevant status changes from the position he or she held when originally elected to the Board or to the board of a subsidiary, including because of a retirement from such occupation or association, the Director shall inform the Chairman of the Board of Directors and shall offer to tender his or her resignation. The Chairman of the Board of Directors shall inform the Chair of the Nominating Committee of such development and provide a recommendation as to the action, if any, to be taken. The Nominating Committee shall determine whether any action should be taken in such instance.