

**ANNUAL INFORMATION FORM**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**FAIRFAX INDIA**  
**HOLDINGS CORPORATION**

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**March 30, 2017**

**Fairfax India Holdings Corporation**  
**95 Wellington Street West, Suite 800**  
**Toronto, Ontario Canada M5J 2N7**

**FAIRFAX INDIA HOLDINGS CORPORATION — 2016 ANNUAL INFORMATION FORM**  
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(1) Incorporated by reference from the Fairfax India Holdings Corporation 2016 Annual Report (the “2016 Annual Report”).

Copies of this annual information form, as well a copy of the 2016 Annual Report (parts of which are incorporated herein by reference), may be obtained from the Company’s Corporate Secretary at 95 Wellington Street West, Suite 800, Toronto, Ontario, M5J 2N7. This annual information form and the 2016 Annual Report may also be found on the Company’s website at [www.fairfaxindia.ca](http://www.fairfaxindia.ca) or on SEDAR at [www.sedar.com](http://www.sedar.com). See “Additional Information”.

## CERTAIN REFERENCES AND FORWARD-LOOKING STATEMENTS

Except as otherwise noted, all information given is at, or for the fiscal year ended, December 31, 2016.

Certain capitalized terms and phrases used in this annual information form are defined in the “Glossary”.

Unless otherwise noted or the context otherwise requires, the “**Company**” or “**Fairfax India**” refers to Fairfax India Holdings Corporation together with one or more of its subsidiaries.

The Company reports its consolidated financial statements in U.S. dollars. All financial information, financial data and other monetary data in this annual information form are reported in U.S. dollars unless otherwise noted. All references to “US\$” or “\$” are to United States dollars.

Certain statements contained in this annual information form and the documents incorporated by reference herein constitute forward-looking information within the meaning of applicable securities laws. Forward-looking statements may relate to the Company’s future outlook and anticipated events or results and may include statements regarding the financial position, business strategy, growth strategy, budgets, operations, financial results, taxes, dividends, plans and objectives of the Company. Particularly, statements regarding future results, performance, achievements, prospects or opportunities of the Company or the Indian market are forward-looking statements. In some cases, forward-looking statements can be identified by the use of forward-looking terminology such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate” or “believes”, or variations of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might”, “will” or “will be taken”, “occur” or “be achieved”.

Forward-looking statements are based on the opinions and estimates of the Company as of the date of this annual information form, and they are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking statements, including but not limited to the following factors described in greater detail in “Risk Factors”: taxation of the Company; taxation of FIH Mauritius Investments Ltd (“**FIH Mauritius**”) and FIH Private Investments Ltd (“**FIH Private**”); substantial loss of capital; shareholders are not entitled to vote on the Company’s proposed investments; long term nature of investment; limited number of investments; geographic concentration of investments; potential lack of diversification; financial market fluctuations; pace of completing investments; control or significant influence position risk; minority investments; ranking of the Company’s investments and structural subordination; follow-on investments; prepayments of debt investments; risks upon dispositions of investments; bridge financings; reliance on key personnel and risks associated with the Investment Advisory Agreement; effect of fees; Performance Fee could induce Fairfax Financial Holdings Limited (“**Fairfax**”) to make speculative investments; operating and financial risks of investments; allocation of personnel; potential conflicts of interest; the liability of Hamblin Watsa Investment Counsel Ltd. (the “**Portfolio Advisor**”) is limited; employee misconduct at the Portfolio Advisor could harm the Company; valuation methodologies involve subjective judgments; lawsuits; foreign currency fluctuation; derivative risks; unknown merits and risks of future investments; opinions from independent investment banks or accounting firms are not contemplated; resources could be wasted in researching investment opportunities that are not ultimately completed; investments may be made in foreign private businesses where information is unreliable or unavailable; material, non-public information; illiquidity of investments; competitive market for investment opportunities; use of leverage; investing in leveraged businesses; regulation; potential volatility of subordinate voting share price; dilution; market discount; limited control; financial reporting and other public company requirements; limited voting rights of the subordinate voting shares; significant ownership by Fairfax may adversely affect the market price of the subordinate voting shares; Investment Company Act; investment and repatriation restrictions; aggregation restrictions; restrictions relating to debt securities; pricing guidelines; emerging markets; corporate disclosure, governance and regulatory requirements; legal and regulatory risks; volatility of the Indian securities markets; political, economic, social and other factors; governance issues risk; Indian tax law; changes in law; GAAR; exposure to permanent establishment, etc.; enforcement of rights; smaller company risk; due diligence and conduct of potential investment entities; Asian economic risk; reliance on trading partners; natural disaster risks; sovereign debt risk; and economic risk. These factors and assumptions are not intended to represent a complete list of the factors and assumptions that could affect the Company. These factors and assumptions, however, should be considered carefully.

Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance

on forward-looking statements. The Company does not undertake to update any forward-looking statements contained in this annual information form or in the documents incorporated by reference herein, except as required by applicable securities laws.

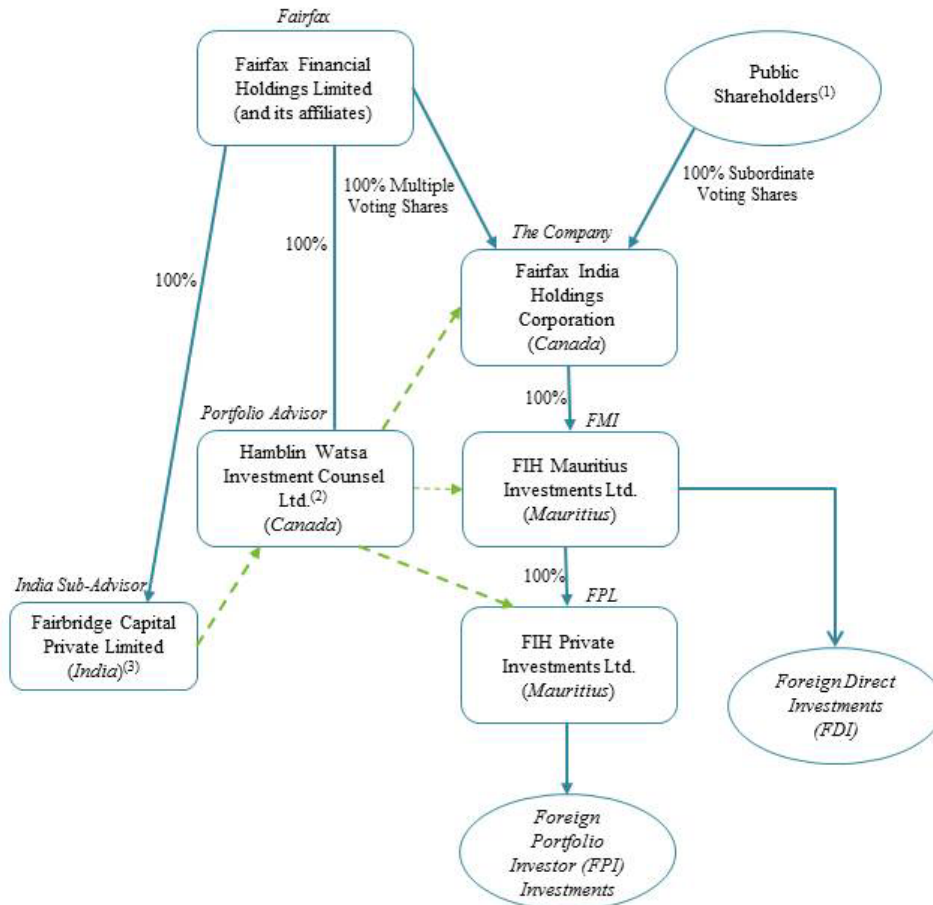
## CORPORATE STRUCTURE

### *Name, Address and Incorporation*

The Company was incorporated under the *Canada Business Corporations Act* (the “CBCA”) on November 25, 2014. The Company’s registered and head office is located at 95 Wellington Street West, Suite 800, Toronto, Ontario M5J 2N7.

### *Inter-corporate Relationships*

The Company currently has two operating subsidiaries, FIH Mauritius and FIH Private. The following organizational chart illustrates the inter-corporate relationships among the Company and its subsidiaries, together with the applicable jurisdiction of incorporation.



- (1) Includes 14,514,737 subordinate voting shares (“Subordinate Voting Shares”) held by certain affiliates of Fairfax as of March 23, 2017.
- (2) The Portfolio Advisor provides investment advisory services and manages investments and Fairfax provides portfolio administration services pursuant to the administration and investment advisory services agreement between Fairfax, the Portfolio Advisor, the Company, FIH Mauritius and FIH Private effective as of January 30, 2015, as amended on March 29, 2016.
- (3) Fairbridge Capital Private Limited (“Fairbridge”) provides investment sub-advisory services to the Portfolio Advisor.
- (4) The organizational chart above does not include the Company’s portfolio investments.

The Company currently has 7 portfolio investments: National Collateral Management Services Limited (“**NCML**”), IIFL Holdings Limited (“**IIFL**”), Fairchem Specialty Limited (“**Fairchem**”) (the entity resulting from the March 14, 2017 merger of ADI Finechem Limited and Privi Organics Limited (“**Privi**”)), Sanmar Engineering Services Limited (“**Sanmar**”), National Stock Exchange of India Limited (“**NSE**”), Saurashtra Freight Private Limited (“**Saurashtra**”) and Bangalore International Airport Limited (“**BIAL**”) (see below under “Recent Developments”).

## **GENERAL DEVELOPMENT OF THE BUSINESS**

### *Overview*

On January 30, 2015, the Company completed its initial public offering (“**Offering**”) of 50,000,000 Subordinate Voting Shares at a price of US\$10.00 per share for gross proceeds of US\$500 million. Concurrent with the completion of the Offering, the Company issued to Fairfax or its affiliates, 30,000,000 multiple voting shares of the Company (“**Multiple Voting Shares**”), on a private placement basis, for an aggregate purchase price of US\$300 million (the “**Substantial Equity Investment**”). Also, concurrent with the completion of the Offering, the Company issued to certain cornerstone investors (the “**Cornerstone Investment**”) 20,578,947 Subordinate Voting Shares, on a private placement basis, for an aggregate purchase price of approximately US\$206 million. The combined gross proceeds of the Offering and the private placements was approximately US\$1 billion.

On February 10, 2015, the Company issued an additional 6,099,932 Subordinate Voting Shares pursuant to the exercise of the over-allotment option granted to a syndicate of underwriters in connection with the Offering. Pursuant to the over-allotment option, the underwriters purchased an additional 6,099,932 Subordinate Voting Shares at a price of US\$10.00 per share for total gross proceeds of US\$61 million. The exercise of the over-allotment option increased the total gross proceeds of the Offering and the private placements to approximately US\$1.07 billion (net proceeds of US\$1.03 billion).

On September 16, 2016, the Company entered into a US\$225 million principal amount term loan (the “**Term Loan**”) with a syndicate of Canadian lenders. The Term Loan had a two year term and bore interest at a rate of LIBOR plus 350 to 500 basis points. The Term Loan contained a mandatory prepayment clause that became effective when the Company received the net proceeds from the Second Offering, as described below, requiring payment of the US\$225 million principal amount of the Term Loan by March 31, 2017.

On January 13, 2017, the Company completed an underwritten public offering (the “**Second Offering**”) of 12,766,000 Subordinate Voting Shares at a price of US\$11.75 per share for gross proceeds of approximately US\$150 million. Concurrent with the completion of the Second Offering, the Company issued to Fairfax, either directly or through one or more of its subsidiaries, and OMERS Administration Corporation (“**OMERS**”), 12,766,000 Subordinate Voting Shares and 17,021,500 Subordinate Voting Shares, respectively, on a private placement basis, for an aggregate purchase price of approximately US\$350 million. The combined gross proceeds of the Second Offering and the concurrent private placements was approximately US\$500 million. Net proceeds of US\$494 million from the Second Offering and concurrent private placements will provide financing to acquire additional Indian Investments and will be used for general corporate purposes.

### *Recent Developments*

For a description of the recent developments of the Company, see our Chairman’s letter to shareholders in our 2016 Annual Report. For a description of our acquisitions since our incorporation in November 2014, see our Chairman’s letter to shareholders in our 2016 Annual Report as well as Note 5 – “Indian Investments” to our audited consolidated financial statements for 2016 (“**2016 Annual Financial Statements**”) and “Business Developments” and “Indian Investments” in our Management’s Discussion and Analysis of Financial Condition and Results of Operations for 2016 (“**2016 MD&A**”). We have filed Form 51-102F4 – Business Acquisition Reports with respect to certain of our acquisitions in Note 5 to our 2016 Annual Financial Statements. Our 2016 Annual Report, 2016 Annual Financial Statements, 2016 MD&A and Business Acquisition Reports are filed on SEDAR at [www.sedar.com](http://www.sedar.com).

Additionally, on March 24, 2017, the Company acquired 38% of the outstanding shares of BIAL for an aggregate consideration of approximately INR 25.22 billion (approximately US\$385 million). Of the 38%, 33% was bought from Bangalore Airport & Infrastructure Developers Private Limited, which is a subsidiary of GVK Power & Infrastructure Ltd and 5% was bought from Flughafen Zürich AG.

## DESCRIPTION OF THE BUSINESS

### *Investment Objective*

Fairfax India is an investment holding company whose objective is to achieve long term capital appreciation, while preserving capital, by investing, either directly or through one of its wholly-owned subsidiaries, in public and private equity securities and debt instruments in India and Indian businesses or other businesses with customers, suppliers or business primarily conducted in, or dependent on, India (“**Indian Investments**”).

### *Investment Strategy*

The Company invests in businesses that are expected to benefit from India’s pro-business political environment, its growing middle class and its demographic trends that are expected to underpin strong growth for several years. Sectors of the Indian economy that the Company believes will benefit most from such trends include infrastructure, financial institutions, consumer services, retail and exports. The Company is not limited to investing solely in these sectors and intends to invest in other sectors as and when opportunities arise.

The Company utilizes, and expects to benefit significantly from, the experience and expertise of Fairfax and the Portfolio Advisor. The Portfolio Advisor is a wholly owned subsidiary of Fairfax and registered portfolio manager in the Province of Ontario, who has been appointed portfolio advisor to the Company and its subsidiaries, Fairbridge, who has been retained by the Portfolio Advisor to act as a sub-advisor to the Portfolio Advisor with respect to investments of the Company and its subsidiaries (see “The Portfolio Advisor and Fairbridge”) and their extensive affiliate network in India, to source, evaluate and successfully invest in Indian Investments.

The Company employs a conservative, fundamental value based approach to identifying and investing in high quality public and private Indian businesses. The Company’s approach is designed to compound book value per share over the long term. The Company will seek attractive risk-adjusted returns, but will at all times seek downside protection and attempt to minimize the loss of capital.

The Company intends to make Indian Investments with a view to be a strategic partner to grow the business and as a result optimize investment returns for the Shareholders of the Company. The level and nature of this strategic relationship will vary by investment. Such a position may include one or more of the following, as deemed appropriate by the Company: (i) board appointment or nomination rights, (ii) board observer rights, (iii) input on management selection, (iv) the provision of managerial assistance, and (v) ongoing monitoring and cooperation with the board and management of the portfolio business to ensure that its strategy is being implemented in a manner that is consistent with the investment objectives of the Company, and with the Company’s and Fairfax’s fundamental values (as set forth in Fairfax’s guiding principles which are included in Fairfax’s publicly available annual reports).

Fairfax India’s involvement with the Indian Investments may include providing specialized guidance or expertise in limited circumstances or on a temporary basis and does not extend to any involvement in the day-to-day operations of those operations. Activities are expected to be ancillary and undertaken to maximize returns from investments. Board representation is sought only to maintain protective rights and to maximize the value of the Company’s investment for its Shareholders.

### *Investment Selection*

To identify potential investments, the Company principally relies on the expertise of the Portfolio Advisor and its affiliates.

The following is an illustrative list of criteria that the Company and the Portfolio Advisor believe to be paramount when identifying and investing in Indian Investments:

*Attractive valuation:* The Company’s conservative fundamental value approach leads it to focus on businesses that have positive, stable cash flows that can be purchased at discounted multiples. The Company does not intend to invest in start-up businesses or businesses that have speculative business plans.

*Experienced and aligned management:* The Company focusses on businesses with experienced, entrepreneurial management teams with strong, long term track records. The Company generally requires the portfolio businesses to

have in place, either prior to or immediately following investment by the Company, proper incentives to drive the businesses' profitability.

*Strong competitive position in industry:* The Company seeks to invest in businesses that hold leading market positions, possess strong brand power and are well-positioned to capitalize on the growth opportunities in the Indian economy. The Company also seeks to invest in businesses that demonstrate significant competitive advantages as compared to their peers and that position them to protect their market position and profitability.

*Alignment of the management team with the values of the Company:* The Company, Fairfax and the Portfolio Advisor all seek to adhere to the highest standards of business practices and ethics. The Company requires that the management teams at each of its portfolio businesses adhere to a similar standard of business practices and ethics and adhere to the Company's fundamental values, as described above.

The Portfolio Advisor and its affiliates conduct thorough due diligence investigations when evaluating any Indian Investments prior to a recommendation to the Company and its subsidiaries to make the investment. This generally includes consultations with Fairfax's network of current and former management teams, consultants, competitors, investment bankers and senior executives to assess, among other things, the industry dynamics, the character of the management team and the viability of the business plan.

More specifically, due diligence in respect of a particular investment opportunity typically includes, among other items as deemed necessary from time to time: (i) review of historical and projected financial information; (ii) on-site visits; (iii) interviews with management, employees, customers and vendors; (iv) review of material agreements; (v) background checks; and (vi) research relating to the business's management, industry, markets, products and services, and competitors.

The Company may, from time to time, seek to realize on any of its Indian Investments. The circumstances under which the Company may sell some or all of an investment include: (i) where the Company believes that the Indian Investment is fully valued or that the original investment thesis has played out; or (ii) where the Company has identified other investment opportunities which it believes present more attractive risk-adjusted return opportunities and additional capital is needed to make such alternative investments.

The Company would exit its private investments either through initial public offering or private sale. For publicly traded investments, exit strategies may include selling the investment through private placements or in public markets.

In addition, the Company may in the future establish one or more infrastructure or private equity funds focused on investments in India, and may invest a portion of the Net Proceeds of the Offerings, and any other funds raised by the Company, therein. In such an event, the Company would, directly or indirectly, manage such infrastructure and private equity funds in order to generate fee revenue for the Company.

### ***Ongoing Monitoring of Portfolio Investments***

The Company takes an active role in overseeing its Indian Investments to ensure that its investment thesis is properly executed and that the fundamental values of the Company are being upheld on an ongoing basis. The Company monitors, among other things, the financial trends of each of its portfolio businesses to determine if it is meeting its business plan and objectives. The Company also assesses, from time to time, the appropriate course of action for each such portfolio investment.

### ***Indian Regulatory Framework***

Please refer to "FIH Mauritius and FIH Private" for details relating to the Indian regulatory framework and restrictions relating to foreign investments in India and Indian businesses.

### ***Investment Restrictions***

The Company will not make an Indian Investment if, after giving effect to such investment, the total invested amount of such investment would exceed 20% of the Company's Total Assets; provided, however, that the Company will nonetheless be permitted to complete up to two Indian Investments where, after giving effect to each such investment, the total invested amount of each such investment would be less than or equal to 25% of the Company's Total Assets (the "**Investment Concentration Restriction**"). The Company intends to make multiple different investments as part of its

prudent investment strategy. With the completion of the investments in the NSE and Privi in the third quarter of 2016, the Company satisfied the voluntarily adopted measure (set forth in the company's initial public offering ("IPO") prospectus) that it would invest the net proceeds from the IPO in at least six different Indian Investments (the "**Minimum Investment Requirement**") that satisfy the Investment Concentration Restriction.

The Company will at all times utilize one or more custodians to hold its assets (both cash and securities, as applicable). RBC Investor Services Trust (the "**Company Custodian**") and Deutsche Bank AG, Mumbai Branch (the "**Subsidiary Custodian**" and collectively, the "**Custodians**"), at their respective principal offices in Toronto, Ontario, and Mumbai, India, have been appointed as the custodians of the Company's, FIH Mauritius's and FIH Private's assets.

### *Use of Leverage and Hedging*

The Company may utilize various forms of leverage, including borrowings under loan facilities and the issuance of preference shares. The Company may also enter into transactions that may give rise to a form of leverage, including, among others, debt instruments, futures and forward contracts (including foreign currency exchange contracts), credit default swaps, total return swaps and other derivative transactions, loans of portfolio securities, short sales and when-issued, delayed delivery and forward commitment transactions. The maximum amount of leverage that the Company will employ at any time will not exceed the greater of 50% of its Total Assets and 100% of the Net Asset Value of the Company.

In addition, the Company may, but is not obligated to, enter into derivative transactions or short individual securities to hedge or reduce the Company's long exposures. In order to mitigate market-related downside risk, the Company may also acquire put options, short market indices, acquire baskets of securities and/or purchase credit-default swaps, but the Company is not committed to maintaining market hedges at any time.

### *Business Conduct*

The working language of the Company is English. All internal documents and all material documents provided to the board of directors of the Company (the "**Board**") are prepared and presented in the English language. Where appropriate, the Company may translate materials into local official languages and communicates with local staff in local official languages. Similarly, official documents and other material agreements prepared in languages other than English are translated, where necessary.

Fairfax, the Portfolio Advisor and Fairbridge Capital Private Limited have extensive investment and investment advisory experience and expertise in India, and Fairbridge's head office and management team are all located in Mumbai, India. In addition, representatives of the Company's Indian legal counsel and external auditor have both been engaged by Fairfax and its subsidiaries for many years and are both fluent in English and Hindi.

The Company also retains legal advisors with extensive knowledge of the local laws and regulations. These legal advisors are external counsel who work in the region. In order to ensure it receives independent legal advice, in English (one of the official languages of India and the language most commonly used for commercial activity in India), which can be reconciled with the Company's legal obligations as a company organized under the laws of Canada, the Company also retains legal advisors who are fluent in English and at least one of the local languages, familiar with the local laws, and resident or formerly resident in the local jurisdictions. The combination of this legal capacity, together with direct reporting relationships between legal counsel and the executive officers, ensures that the executive officers and directors of the Company are informed of the material Indian legal requirements applicable to the Company and any changes or new developments related thereto.

The Company and its subsidiaries have and will continue to seek out and receive legal advice from duly qualified counsel in the jurisdictions in which the Company and its subsidiaries operate as circumstances require in order to ensure that the Company and its subsidiaries remain compliant with applicable laws, hold all required permits, licences or other regulatory approvals to carry out its business, and are aware of any restrictions or conditions that are or may be imposed on them. Through advice from legal counsel, the Company has satisfied itself that it and its subsidiaries have obtained all required permits, licences and other regulatory approvals required to be obtained by the Company or its subsidiaries as is presently required in order to carry out its business.

## *Competition*

The Company competes with a large number of other investors focused on India, such as private equity funds, mezzanine funds, investment banks and other equity and non-equity based public and private investment funds, and other sources of financing, including traditional financial services companies, such as commercial banks.

## *Employees*

In addition to the Chief Executive Officer, Chief Financial Officer and Corporate Secretary of the Company (who are paid by Fairfax), the Company directly employs certain non-management employees to assist in the day-to-day operations of the Company. Additionally, in addition to the Chief Executive Officer of FIH Mauritius and FIH Private, FIH Mauritius and FIH Private directly employ certain non-management employees to assist in respect of the operation of the local office in Mauritius. Such employees are employees of the Company or its subsidiaries, as applicable, and all compensation payable to such employees (other than the Chief Executive Officer, Chief Financial Officer and Corporate Secretary of the Company) is borne by the Company or its subsidiaries, as applicable.

As at December 31, 2016, Fairfax India Holdings Corporation (the holding company), FIH Mauritius and FIH Private collectively had 11 employees.

## **FIH MAURITIUS AND FIH PRIVATE**

Each of FIH Mauritius and FIH Private was established as a private company under the laws of the Republic of Mauritius pursuant to the Companies Act 2001 (the “**Companies Act**”). FIH Mauritius and FIH Private each hold a Category 1 Global Business Licence issued by the Financial Services Commission of Mauritius (“**FSC**”). In addition, in 2015 FIH Private obtained a Restricted Investment Advisor licence from the FSC. The registered offices of FIH Mauritius and FIH Private are located at Office 6, Level 1, Maeva Tower, Cybercity, Ebene, Mauritius. All of the issued and outstanding shares of FIH Mauritius are owned by the Company and all of the issued and outstanding shares of FIH Private are owned by FIH Mauritius. Each of FIH Mauritius and FIH Private has adopted an investment objective, strategy and investment restrictions consistent with that of the Company.

In accordance with Indian law, FIH Mauritius has made and will continue to make foreign direct investments (“**FDI**”) in India. Under Indian law, FDI investors are permitted to acquire up to 100% of an Indian company, subject to foreign ownership or other restrictions set out with respect to a particular sector as prescribed by Indian law, subject to pricing guidelines prescribed by the Reserve Bank of India (“**RBI**”) from time to time for acquisition and sale of shares of an Indian company by foreign investors. In sectors where an ownership restriction is prescribed, foreign investors are only permitted to invest up to the specific sectoral cap (e.g., foreign investment in the construction and development sector is permitted up to 100%, but only 51% in respect of the multi-brand retail trading sector). There is no registration requirement in order to make FDI investments so long as the investment complies with the sectoral conditions, including in relation to minimum capitalization, approval requirements, sectoral caps and lock-in requirements. FDI investors are not permitted to acquire securities through the facilities of a recognized stock exchange in India (except in certain limited circumstances) and certain restrictions are imposed on FDI investors with respect to investments in debt securities (such as restrictions relating to eligible borrowers, recognized lenders, amount, maturity and permitted end-uses of the debt proceeds). FIH Mauritius has and it is intended that it will continue to make investments in unlisted Indian portfolio businesses, or listed securities acquired by means other than through the facilities of a recognized stock exchange in India (e.g., through private agreements). It is intended that Indian Investments made through the facilities of a recognized stock exchange in India and, subject to certain exceptions, investments in debt securities will be made by FIH Private, which is a registered foreign portfolio investor (“**FPI**”).

FIH Private has made and will continue to make investments in India as a registered FPI under the portfolio investment scheme (“**PIS**”) created by the RBI that enables foreign investors to purchase and sell shares or non-convertible debentures of Indian companies listed (or to-be-listed) on a recognized stock exchange in India, subject to equity investments being restricted to holding less than 10% beneficial ownership position in a company. A FPI is only permitted to purchase or sell shares on the facilities of a recognized stock exchange in India, is not permitted to acquire shares of unlisted companies and is generally prohibited from participating in off-market transactions. A FPI may invest in shares, debentures, warrants of companies listed (or to-be listed) on a recognized stock exchange in India, government securities, perpetual debt instruments and debt capital instruments, as specified by the RBI from time to time, non-convertible debentures or bonds issued by non-banking financial companies categorized by RBI as “infrastructure finance companies”, Indian depository receipts,

derivatives traded on a recognized stock exchange and listed and unlisted non-convertible debentures and bonds in the infrastructure sector.

Under the Securities and Exchange Board of India (“**SEBI**”) (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, Fairfax and its affiliates would be deemed to be persons acting in concert (“**PACs**”) with the Company. Although the deeming provision is a rebuttable presumption based on facts, if it is determined in accordance with Indian law that Fairfax and its affiliates are PACs with the Company or its subsidiaries, and their aggregate holding exceeds 25% or more of a listed Indian company, the Company may be required to make an open offer for all of the issued and outstanding securities of the Indian company. In addition, Fairfax and certain of its affiliates have FPI registrations. If it is determined in accordance with Indian law that FIH Private, on the one hand, and Fairfax and its affiliates, on the other hand, have more than 50% direct or indirect common shareholding, beneficial ownership or beneficial interest, then equity investments made by Fairfax and its affiliates and FIH Private in Indian-listed companies will be aggregated for purposes of calculating the permissible quantum of investment (e.g., less than 10% of such portfolio business’ shareholding) by each of FIH Private and Fairfax and its affiliates, to ensure compliance with Regulation 5(2) and Schedule 2 of the FEMA Regulations and the Securities and Exchange Board of India (Foreign Portfolio Investor) Regulations, 2014 (the “**FPI Regulations**”). See “Risk Factors — Risk Factors Related to Investments in India”.

In addition to the Indian Investments made by FIH Mauritius and FIH Private, the Company may make other Indian Investments, being primarily investments in non-Indian domiciled businesses that have customers, suppliers or operations primarily conducted in, or dependent on, India. Subject to compliance with applicable law, the Company is also permitted to incorporate one or more additional wholly-owned subsidiary entities to make Indian Investments as the Company deems necessary from time to time.

The Company and its subsidiaries have and will continue to seek out and receive legal advice from duly qualified counsel in the jurisdictions in which the Company and its subsidiaries operate as circumstances require in order to ensure that the Company and its subsidiaries remain compliant with applicable laws, hold all required permits, licenses or other regulatory approvals to carry out its business, and are aware of any restrictions or conditions that are or may be imposed on them. Through advice from legal counsel, the Company has satisfied itself that it and its subsidiaries have obtained all required permits, licenses and other regulatory approvals required to be obtained by the Company or its subsidiaries as is presently required in order to carry out its business.

Following the Portfolio Advisor’s identification of a potential investment in a portfolio business, the Portfolio Advisor first determines which entity, as between the Company, FIH Mauritius or FIH Private, is best-suited to make such an investment, which will depend, in large part on the type of investment, as described above. In the event that the Portfolio Advisor determines that the Company is best-suited to make the investment, the Portfolio Advisor has discretionary authority to negotiate and complete the investment on behalf of the Company. If the Portfolio Advisor determines that FIH Mauritius or FIH Private is best-suited to make the investment, the Portfolio Advisor provides advice and recommendations relating to such investment to the board of directors of FIH Mauritius (the “**FIH Mauritius Board**”) or the board of directors of FIH Private (the “**FIH Private Board**”), as the case may be, at which point the ultimate investment decision is made by the FIH Mauritius Board or the FIH Private Board, as the case may be.

In the case of a sale of an Indian Investment held by the Company, the Portfolio Advisor has discretionary authority to dispose of such investment on behalf of the Company. If the Indian Investment is held by FIH Mauritius or FIH Private, the Portfolio Advisor provides advice and recommendations relating to the disposition of such investment to the FIH Mauritius Board or the FIH Private Board, as the case may be, at which point the ultimate decision will be made by the FIH Mauritius Board or the FIH Private Board, as the case may be, as to whether or not to dispose of the investment.

FIH Mauritius and FIH Private have been incorporated in the Republic of Mauritius for, among others, the following reasons:

- Fairfax, through its wholly-owned subsidiary, HWIC Asia Fund, has been operating in the Republic of Mauritius for over 15 years and has built an experienced local team that will provide certain administrative services to FIH Mauritius and FIH Private (see “Local Office” below).
- Other existing Indian investment entities have historically utilized the Republic of Mauritius. The Company believes that this is the most suitable structure for its investments and is a common structure with which professional money managers are familiar and comfortable.

- India and the Republic of Mauritius share strong commercial and historical relations. A large portion of the population of the Republic of Mauritius shares deep social and historical links with India and India remains one of Mauritius' largest trading partners.
- The Republic of Mauritius is politically and socially stable and is well-developed in terms of infrastructure, technological development and logistics. It also has a developed banking and financial sector and is continually working toward enhancing its financial product offering, moving toward the provision of higher-end and value-added services.
- The Republic of Mauritius has a strong network of local service providers, advisors and professionals including in the audit, accounting, legal and tax sectors, each having links to their Indian counterparts to provide investors with cross-jurisdictional professional services where necessary.

During the second quarter of 2016, India and Mauritius amended their double income tax treaty. As a result, investments acquired up to April 1, 2017 will not be assessed by India for tax on their future disposition. After April 1, 2017, India will levy capital gains tax at half the India domestic rate on equity investments purchased or sold through Mauritius until March 31, 2019 and at the full rate from April 1, 2019 onward.

### *Share Capital*

The capital of FIH Mauritius is comprised of non-redeemable ordinary shares, each having a par value of US\$1.00 (the "**FIH Mauritius Shares**"). The FIH Mauritius Shares have been issued solely to the Company. All voting rights related to the management and the election of the FIH Mauritius Board are vested solely in the holder of the FIH Mauritius Shares.

The capital of FIH Private is comprised of non-redeemable ordinary shares, each having a par value of US\$1.00 (the "**FIH Private Shares**"). The FIH Private Shares have been issued solely to FIH Mauritius. All voting rights related to the management and the election of the FIH Private Board are vested solely in the holder of the FIH Private Shares.

### *Management*

The FIH Mauritius Board and the FIH Private Board are identical and are comprised of five directors, three of whom are residents of the Republic of Mauritius. As a direct or indirect wholly-owned subsidiary of the Company, the Board will appoint the FIH Mauritius Board and the FIH Private Board from time to time. For a description of the FIH Mauritius Board and the FIH Private Board, see "Directors and Executive Officers of FIH Mauritius and FIH Private" below.

As part of the FIH Mauritius Board's and the FIH Private Board's fulfillment of their respective fiduciary obligations, the directors of each of FIH Mauritius and FIH Private (the "**MI Directors**") will meet regularly with the Portfolio Advisor. In addition, the FIH Mauritius Board and the FIH Private Board have each approved a memorandum containing specific details with respect to the policies, procedures and controls to be put in place for the approval, monitoring, risk management and disposition of Indian Investments to be implemented by FIH Mauritius or FIH Private, as applicable.

### *Mauritius Administrator*

In accordance with requirements of Mauritius law, International Financial Services Limited, having its registered office at, IFS Court, Twenty-Eight, Cybercity, Ebene 72201, Mauritius was retained as the administrator (the "**Mauritius Administrator**") of each of FIH Mauritius and FIH Private and provides corporate secretarial and registrar services to each of FIH Mauritius and FIH Private. The Mauritius Administrator is a licensed management company based in the Republic of Mauritius and regulated by the FSC.

FIH Mauritius and FIH Private pay a monthly fee to the Mauritius Administrator in respect of the services that it provides, such fee amount to be determined by FIH Mauritius and FIH Private, from time to time, in negotiation with the Mauritius Administrator.

### *Local Office*

The local office of FIH Mauritius and FIH Private, comprised of qualified and experienced professionals with significant expertise with similar investment entities, is responsible for the accounting and day-to-day administration of FIH Mauritius and FIH Private, including: (i) daily processing of securities; (ii) portfolio accounting functions, including posting

of all trades, corporate actions, monitoring of investment income, open payables and receivables; (iii) reconciliation of portfolio investments; (iv) monitoring of cash flows; (v) assisting the FIH Mauritius Board and the FIH Private Board in the appraisal of investment recommendations from the Portfolio Advisor; (vi) maintaining custodial relationships; (vii) placement of foreign exchange contracts, where appropriate; (viii) discussions with regulators to ensure compliance with regulatory requirements; (ix) authorising the payment of all expenses; and (x) preparation of annual financial statements, regular management reports, income tax returns and other reports. The local office is assisted by the Mauritius Administrator with respect to certain regulatory and reporting services.

Each of FIH Mauritius and FIH Private maintain its minute books, corporate seal and corporate records at its local office in the Republic of Mauritius. In certain circumstances (e.g., transaction record books), copies are also maintained at the Company's head office in Toronto, Ontario.

### ***Company Oversight***

The Company has adopted the following measures to ensure effective oversight of its wholly-owned subsidiaries, FIH Mauritius and FIH Private. These measures are overseen by the Board and implemented by the Company's senior management:

- (i) the Company's corporate structure has been designed to allow the Company to control and have a measure of direct oversight over the operations of its subsidiaries. As direct and indirect wholly-owned subsidiaries of the Company, the Company directly or indirectly controls the appointment of all of the directors of FIH Mauritius and FIH Private. As the sole shareholder, the directors of the Company's subsidiaries are ultimately accountable to the Company and therefore are accountable to the Board and senior management of the Company;
- (ii) FIH Mauritius and FIH Private are managed by a senior officer of one of Fairfax's wholly-owned subsidiaries who holds the most senior title in the local organization and who is resident in the local jurisdiction (Ms. Amy Tan, Chief Executive Officer). Ms. Tan also has extensive experience working alongside Mr. Chandran Ratnaswami, the Chief Executive Officer of the Company;
- (iii) the Board is responsible for the overall stewardship of the Company and, as such, supervises the management of the business and affairs of the Company. More specifically, the Board is responsible for reviewing the strategic business plans and corporate objectives, and approving acquisitions, dispositions, investments, capital expenditures and other transactions and matters that are thought to be material to the Company, including those of its subsidiaries; and
- (iv) the Company has retained Fairfax and the Portfolio Advisor as the Company's portfolio administrator and portfolio advisor, respectively. Fairfax and the Portfolio Advisor have also been retained as the portfolio administrator and portfolio advisor, respectively, of FIH Mauritius and FIH Private. This helps to establish effective oversight mechanics as the operations of FIH Mauritius and FIH Private should generally remain consistent with the operations of the Company.

### ***Directors and Executive Officers of FIH Mauritius and FIH Private***

The FIH Mauritius Board and the FIH Private Board each consists of five directors, three of which are residents of the Republic of Mauritius. The MI Directors will be appointed from time to time on the instructions of the Board.

The following table sets forth information regarding the MI Directors and executive officers that will serve in such capacities:

<b><u>Name, Province or State and Country of Residence</u></b>	<b><u>Position/Title</u></b>	<b><u>Independent</u></b>	<b><u>Principal Occupation</u></b>
Chandran Ratnaswami <sup>(1)</sup> Toronto, Ontario, Canada....	Director and Chairman	No	Chief Executive Officer of the Company and Managing Director of the Portfolio Advisor
Amy Tan <sup>(2)</sup> Republic of Mauritius.....	Director and Chief Executive Officer	No	Chief Executive Officer of FIH Mauritius and FIH Private

S. Gopalakrishnan Mumbai, India .....	Director	Yes	Chief Investment Officer of ICICI Lombard
Couldip Lala Republic of Mauritius.....	Director	Yes	Executive Director of International Financial Services Limited
Dev Joory <sup>(3)</sup> Republic of Mauritius.....	Director	Yes	Executive Director of International Financial Services Limited
M. Akshar Maheraly <sup>(3)</sup> Republic of Mauritius.....	Director	Yes	Director (Taxation) of International Financial Services Limited

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Notes:

- (1) Mr. Ratnaswami is considered a non-Independent Director as he is the Chief Executive Officer of the Company and the Managing Director of the Portfolio Advisor.
- (2) Ms. Tan is considered a non-Independent Director as she is the Chief Executive Officer of FIH Mauritius and FIH Private.
- (3) Effective February 3, 2017, Mr. Joory resigned from the board of directors of FIH Mauritius and FIH Private and Mr. Maherally was appointed a director of FIH Mauritius and FIH Private.

***Biographical Information Regarding the Directors and Executive Officers of FIH Mauritius and FIH Private***

Chandran Ratnaswami (67) — Mr. Ratnaswami is the Company’s Chief Executive Officer and a member of the Board. Mr. Ratnaswami is a Managing Director of the Portfolio Advisor. At the Portfolio Advisor, Mr. Ratnaswami is responsible for portfolio investments in Asia. Mr. Ratnaswami joined the Portfolio Advisor in 1993 as director of International Investments. Mr. Ratnaswami serves on the board of directors of a number of Fairfax companies, including Fairbridge, IIFL Holdings Limited, National Collateral Management Services Private Limited, Sanmar Engineering Services Limited, Thomas Cook (India), ICICI Lombard, Qness Corp., First Capital Insurance Limited, ZoomerMedia Ltd. and Thai Reinsurance Public Company Limited. Mr. Ratnaswami is a resident of Toronto, Ontario, Canada.

Amy Tan (42) — Ms. Tan joined HWIC Asia Fund in January 2013 as Chief Financial Officer and was appointed as a director in March 2015. Prior to that, Ms. Tan worked with PricewaterhouseCoopers Mauritius as a Senior Manager in the assurance and business advisory division. She was involved in various audit, compliance and advisory assignments of local conglomerates and global business entities (investment funds, investment holding entities and entities with significant offshore operations). Ms. Tan is a Fellow of the Association of Chartered Certified Accountants and is a resident of the Republic of Mauritius.

S. Gopalakrishnan (54) — Mr. Gopalakrishnan is the Chief Investment Officer of ICICI Lombard, the largest private sector property and casualty insurance company in India. Mr. Gopalakrishnan has held the position of head of investments at ICICI Lombard since 2001 and is a member of the investment committee. Mr. Gopalakrishnan serves on the board of directors of Primary Real Estate Investment Fund. Mr. Gopalakrishnan has a Bachelor of Commerce degree from the University of Madras, is a graduate of the Institute of Chartered Accountants of India and is a Qualified Chartered Financial Analyst and Member of the CFA Institute in the United States. Mr. Gopalakrishnan is a resident of Mumbai, Maharashtra, India.

Couldip Lala (66) — Mr. Lala is a co-founder and Executive Director of International Financial Services Limited (“IFS”), a leading management company specializing in international tax, business and corporate advisory services in Mauritius. He is a Fellow of the Institute of Chartered Accountants in England and Wales and was previously a partner at one of the “big four” accounting firms. During Mr. Lala’s time in audit practice, he led audit assignments of world bank financed projects in countries in East and West Africa. Throughout his career, Mr. Lala has been a corporate affairs consultant and adviser, focusing primarily in the structuring of international private equity and hedge funds. Mr. Lala has been appointed to numerous boards of companies in Mauritius, with diverse interests, ranging from financial institutions, private equity and hedge funds, tourism, and general trade business. Mr. Lala is a resident of the Republic of Mauritius.

Dev Joory (65) — Mr. Joory is a co-founder and Executive Director of IFS. He is a Fellow of the Institute of Chartered Accountants in England and Wales and associate member of the Society of Trust and Estate Practitioners. After qualifying as a Chartered Accountant in 1974, Mr. Joory joined Price Waterhouse, Paris, working primarily on audit of multinational

corporations operating in Northern and Western African countries. Mr. Joory subsequently specialized in international tax at Touche Ross, London in 1975 and then at Arthur Young in 1983. Mr. Joory was a Senior Tax Executive at Ernst & Young, London office until 1993. Mr. Joory has over 20 years of experience in international tax planning and business structuring, with areas of specialization covering international banking and financial services, including Islamic banking, offshore fund structuring and administration, intellectual and real property planning, aircraft and ship leasing, franchising and retail operations. Mr. Joory also serves as a director of numerous offshore funds and companies. Mr. Joory is a resident of the Republic of Mauritius.

Mohammad Akshar Maherally (41)— Mr. Maherally is Director (Taxation) at IFS, one of the three operational directors. He also heads IFS tax practice. He is a Fellow of the Association of Chartered Certified Accountants in the United Kingdom (FCCA) and an Associate of the Institute of Chartered Accountants in England and Wales (ACA). Prior to joining IFS, Mr. Maherally worked as Economic Analyst in the Economic Affairs and Fiscal Policies Departments of the Mauritian Ministry of Finance. Mr. Maherally advises on tax planning and corporate structuring matters as well as handles client tax affairs, including advisory, opinions, compliance and litigation. As operational director at IFS, Mr. Maherally also oversees a sizeable portfolio of investment funds, as well as corporate and private clients. Mr. Maherally is a member of the International Tax Planning Association, the Mauritius Branch of the International Fiscal Association as well as a member of the Mauritius Institute of Directors. Mr. Maherally is a resident of the Republic of Mauritius.

### ***Duties of MI Directors***

The duties of directors of entities incorporated in the Republic of Mauritius have been extensively codified in the Companies Act such that every director of a company incorporated under the Companies Act, in exercising his or her powers and discharging his or her duties, is required to, *inter alia*:

- exercise his/her powers in accordance with the Companies Act and within the limits and subject to the conditions and restrictions established by the company's constitution;
- obtain the authorization of a meeting of shareholders before doing any act or entering into any transaction for which the authorization or consent of a meeting of shareholders as required by the Companies Act or by the company's constitution;
- not agree to the company incurring any obligation unless the director believes at that time, on reasonable grounds that the company will be able to perform the obligation when it is required to do so;
- account to the company for any monetary gain, or the value of any other gain or advantage, obtained by him/her in connection with the exercise of his/her powers, or by reason of his/her position as directors of the company, except remuneration, pensions provisions and compensation for loss of office in respect of his/her directorships of any company;
- not make use of or disclose any confidential information received by his/her on behalf of the company as directors otherwise than as permitted under the Companies Act;
- not compete with the company or become a director or officer of a competing company, unless approved by the company pursuant to the Companies Act;
- where directors are interested in a transaction to which the company is a party, disclose such interest pursuant to the Companies Act;
- not use any assets of the company for any illegal purpose or purpose in breach of items (i) and (iii) above, and not do, or knowingly allow to be done, anything by which the company's assets may be damaged or lost, otherwise than in the ordinary course of carrying on its business;
- transfer forthwith to the company all cash or assets acquired on its behalf, whether before or after its incorporation, or as the result of employing its cash or assets, and until such transfer is effected to hold such cash or assets on behalf of the company and to use it only for the purposes of the company;
- attend meetings of the directors of the company with reasonable regularity, unless prevented from so doing by illness or other reasonable excuse; and

- keep proper accounting records in accordance with the Companies Act and make such records available for inspection in accordance with the Companies Act.

These duties are coupled with the overriding requirement that every officer (which includes director or secretary) must exercise the powers and discharge the duties of his office honestly, in good faith and in the best interests of the company; and exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

## **THE PORTFOLIO ADVISOR AND FAIRBRIDGE**

The Company, FIH Mauritius and FIH Private have appointed the Portfolio Advisor to source and advise with respect to all investments for the Company and its subsidiaries.

The head office of the Portfolio Advisor is located at 95 Wellington Street West, Suite 802, Toronto, Ontario, M5J 2N7, Canada.

The Portfolio Advisor may, from time to time, retain the services of one or more sub-advisors to assist the Portfolio Advisor in sourcing and advising with respect to the investments of the Company, FIH Mauritius and FIH Private. The Portfolio Advisor has retained Fairbridge to act as a sub-advisor to the Portfolio Advisor with respect to investments of the Company and its subsidiaries. See “Fairbridge”. Fees payable to any sub-advisors from time to time (including Fairbridge) will be borne by the Portfolio Advisor and no additional amount will be payable by the Company, FIH Mauritius or FIH Private in connection therewith.

### ***Investment Advisory Agreement***

Pursuant to an administration and investment advisory services agreement (the “**Investment Advisory Agreement**”), as amended, entered into between the Portfolio Advisor, Fairfax, the Company, FIH Mauritius, FIH Private and such other subsidiaries of the Company as may be added from time to time, the Portfolio Advisor provides investment advisory services including advice and recommendations relating to potential investment opportunities. In providing such advice and recommendations, the Portfolio Advisor first determines which entity, as between the Company and its subsidiaries, is best-suited to make such an investment. In the event that the Portfolio Advisor determines that the Company is best-suited to make an investment, the Portfolio Advisor has discretionary authority to negotiate and complete the investment on behalf of the Company. If the Portfolio Advisor determines that FIH Mauritius or FIH Private is best-suited to make the investment, the Portfolio Advisor provides advice and recommendations relating to such investment to the FIH Mauritius Board or the FIH Private Board, as the case may be, at which point the ultimate investment analysis and decision is made by the FIH Mauritius Board or the FIH Private Board, as the case may be. In connection with the Portfolio Advisor’s advice and recommendations to the FIH Mauritius Board or the FIH Private Board with respect to a particular investment, the Portfolio Advisor also provides advice relating to appropriate levels of leverage in respect of such investments.

The Portfolio Advisor, and any agent to whom the Portfolio Advisor has validly delegated any of its duties, is required to exercise its powers and discharge the duties of its office honestly and in good faith and to exercise the care, diligence and skill that a reasonably prudent investment advisor would exercise in comparable circumstances. The Investment Advisory Agreement provides that the Portfolio Advisor will not be liable in any way for any losses suffered by the Company or its subsidiaries as a result of an error in implementing investment advice unless caused by the gross negligence, wilful misconduct or fraud of the Portfolio Advisor or its agents.

The Portfolio Advisor provides investment advice to the Company and its subsidiaries in accordance with the Company’s investment objective. The services performed by the Portfolio Advisor are conducted only by officers and employees who have appropriate experience and qualifications.

Any of the Portfolio Advisor, Fairfax, the Company or its subsidiaries may terminate the Investment Advisory Agreement, provided that the terminating party has given the other parties at least 90 days’ prior written notice of its intention to do so. The Company or its subsidiaries may terminate the Investment Advisory Agreement immediately if (i) the Portfolio Advisor is in material breach or default of the provisions of the Investment Advisory Agreement and, if capable of being cured, such material breach or default is not cured within 60 days following receipt of a written notice of such material breach or default, (ii) the Portfolio Advisor becomes bankrupt, insolvent, makes a general assignment for the benefit of its creditors or otherwise acknowledges its insolvency, or (iii) the Portfolio Advisor’s assets have become subject to seizure or confiscation by any public or governmental authority. In the event that the day on which the Investment Advisory Agreement

is terminated is a day other than the first day of a calendar quarter, the Administration and Advisory Fees payable for such quarter will be pro-rated and determined having regard to the market value of the Company's investment portfolio based on the Company's most recent financial report. In addition, in the event that the day on which the Investment Advisory Agreement is terminated is a day other than the first day of a Calculation Period, the Performance Fee payable to Fairfax for such Calculation Period will be determined as of the date of termination of the Investment Advisory Agreement using values determined as described under "Calculation of Total Assets and Net Asset Value" and, if payable in cash, will be paid to Fairfax as soon as commercially reasonable.

Other than the payment of any outstanding fees payable to Fairfax and the reimbursement of Fairfax's and the Portfolio Advisor's reasonable expenses pursuant to the Investment Advisory Agreement up to and including the date of termination of the Investment Advisory Agreement, no additional payments will be required to be made by the Company to Fairfax or the Portfolio Advisor as a result of any termination of the Investment Advisory Agreement.

As compensation for the provision of portfolio administration and investment advisory services to be provided by Fairfax and the Portfolio Advisor, the Company pays to Fairfax the Administration and Advisory Fee and, if applicable, the Performance Fee, in each case, together with any applicable sales taxes thereon to Fairfax. Any portion of such fees to which the Portfolio Advisor is entitled are paid by Fairfax to the Portfolio Advisor. See "Summary of Fees and Expenses".

Pursuant to the Investment Advisory Agreement, Fairfax has also agreed to provide certain investment administration services to the Company and its subsidiaries. See "The Portfolio Administrator".

#### ***Fair Allocation***

The investment advisory and portfolio administration services of the Portfolio Advisor and Fairfax are not exclusive and nothing in the Investment Advisory Agreement prevents the Portfolio Advisor, Fairfax or any of their affiliates from providing similar investment advisory or portfolio administration services to other clients, including Fairfax and its affiliates or other investment entities (whether or not their investment objective, strategies and policies are similar to those of the Company) or from engaging in other activities.

It is the general policy of the Portfolio Advisor that all of its client portfolios that have investment objectives and restrictions that are compatible with a particular investment opportunity will be treated fairly and equitably with respect to distribution of investment opportunities and that no client portfolio will receive preferential treatment over another. Notwithstanding the foregoing, the Company agreed that any investment opportunities with respect to Indian insurance and reinsurance businesses will be first offered to Fairfax. If Fairfax passes on the opportunity to invest in any such insurance or reinsurance business, the opportunity may be recommended to the Company if it satisfies the Company's investment objective.

In determining the suitability of an investment opportunity for a particular client, the Portfolio Advisor considers, among other factors, the size of the client and its capital requirements, regulatory and client investment guidelines and objectives, existing portfolio composition, tax considerations and cash availability. An assessment of the relative importance of an investment opportunity to the fulfillment of a client's investment objective is dependent upon a number of factors that include the availability of the resources that are required to complete the investment, alternative investment opportunities, the composition of the client's portfolio at the time and the liquidity of the portfolio. As a result of this fair allocation policy, the Company, FIH Mauritius, FIH Private or any other subsidiary through which the Company invests in Indian Investments may, from time to time, be precluded from participating in an investment opportunity available to the Portfolio Advisor that would otherwise be compatible with the Company's investment objective and restrictions. See "Risk Factors".

#### ***Directors and Officers of the Portfolio Advisor***

The board of directors of the Portfolio Advisor consists of two members: V. Prem Watsa and Roger D. Lace. Directors are appointed to serve on the board of directors until such time as they retire or are removed and their successors are appointed.

The following table sets forth information regarding the directors and executive officers of the Portfolio Advisor.

<u>Name, Province or State and Country of Residence</u>	<u>Position/Title</u>	<u>Principal Occupation</u>
V. Prem Watsa Toronto, Ontario, Canada .....	Director and Vice President	Chairman and Chief Executive Officer of Fairfax; Vice President of the Portfolio Advisor
Roger D. Lace Toronto, Ontario, Canada .....	Director and President	President and Managing Director, North American Equities, of the Portfolio Advisor
David Bonham Toronto, Ontario, Canada .....	Treasurer and Chief Financial Officer	Vice President and Chief Financial Officer of Fairfax; Treasurer and Chief Financial Officer of the Portfolio Advisor
Paul Rivett Toronto, Ontario, Canada .....	Vice President and Chief Operating Officer	President of Fairfax; Vice President and Chief Operating Officer of the Portfolio Advisor

The individuals at the Portfolio Advisor who are primarily responsible for providing advisory services to the Company and its subsidiaries consist of V. Prem Watsa and Chandran Ratnaswami, both experienced investment professionals.

The following individuals comprise the investment committee of the Portfolio Advisor in respect of the Company's investments:

V. Prem Watsa (66) — Mr. Watsa has been the Chairman and Chief Executive Officer of Fairfax since 1985 and has an over 40-year track record in investment management. Mr. Watsa has served as Vice President of the Portfolio Advisor since 1985. Mr. Watsa is a member of the Sick Children's Hospital Foundation and is Chairman of their Investment Committee, member of the Advisory Board for the Richard Ivey School of Business, member of the Board of Directors of the Royal Ontario Museum Foundation, Lead Director on the Board of Blackberry and Chairman of the Investment Committee of St. Paul's Anglican Church in Toronto. Mr. Watsa is on the Board of Horatio Alger Association U.S. and President of Horatio Alger Association of Canada. Mr. Watsa is Chairman of Fairfax India and Fairfax Africa Holdings Corporation and he was formerly Chancellor of the University of Waterloo and on the Boards of the Bank of Ireland and of ICICI Bank. Mr. Watsa is a recipient of the Order of Canada. Mr. Watsa holds a Bachelor's Degree in Chemical Engineering from the Indian Institute of Technology in Madras, India and obtained his MBA from the Richard Ivey School of Business at the University of Western Ontario. Mr. Watsa is also a Chartered Financial Analyst. Mr. Watsa holds an Honorary Doctorate of Laws from the University of Western Ontario, an Honorary Doctorate of Sacred Letters from Wycliff College of the University of Toronto and an Honorary Doctorate of Divinity from Tyndale College. Mr. Watsa is a resident of Toronto, Ontario, Canada.

Roger D. Lace (65) — Mr. Lace is the President and a director of the Portfolio Advisor, and a member of the investment committee. Mr. Lace joined the Portfolio Advisor in 1986. Mr. Lace has a 41-year track record in investment management, specializing in equity investments. Prior to joining the Portfolio Advisor, Mr. Lace was Vice-President at McLeod, Young, Weir Ltd. Mr. Lace holds a Bachelor of Science degree from the Massachusetts Institute of Technology, a Masters of Business Administration degree from the Richard Ivey School of Business and received a Chartered Financial Analyst designation in 1979. Mr. Lace is a resident of Toronto, Ontario, Canada.

Paul C. Rivett (49) — Mr. Rivett has been the President of Fairfax since July 19, 2013. Mr. Rivett also serves as the Vice President and Chief Operating Officer of the Portfolio Advisor and as a director of Fairfax Africa Holdings Corporation. Mr. Rivett is a registered Investment Manager. Mr. Rivett served as Vice President of Operations at Fairfax from August 1, 2012 to July 19, 2013. Prior to that, he served as Chief Legal Officer of Fairfax from January 2007 to August 2012 and as Vice President from April 2004. Prior to joining Fairfax, Mr. Rivett was an attorney of Shearman & Sterling LLP. Mr. Rivett currently serves as a director of Zenith National Insurance Corp., Odyssey Re Holdings Corp. and Northbridge Financial Corporation and previously served as a director of MEGA Brands Inc., Resolute Forest Products Inc., The Brick Ltd. and Resolute FP US Inc. (formerly Bowater Inc.). Mr. Rivett is a resident of Toronto, Ontario, Canada. Mr. Rivett holds a BSc from University of Toronto and an LLB from Queen's University. Mr. Rivett is a resident of Toronto, Ontario, Canada.

Chandran Ratnaswami (67) — Please see above under “FIH Mauritius and FIH Private — Biographical Information Regarding the Directors and Executive Officers of FIH Mauritius and FIH Private”.

Brian Bradstreet (69) — Mr. Bradstreet is a Managing Director and member of the investment committee of the Portfolio Advisor. Mr. Bradstreet joined the Portfolio Advisor in 1987. Mr. Bradstreet has an over 40-year track record in investment management, specializing in fixed income investments. Prior to joining the Portfolio Advisor, Mr. Bradstreet was an Investment Analyst, an Investment Manager and then became the Assistant Vice President, Investment at Confederation Life. Mr. Bradstreet holds a Bachelor of Arts (Economics) degree from Wilfrid Laurier University, a Masters of Arts (Economics) degree from York University and received a Chartered Financial Analyst designation in 1978. Mr. Bradstreet is a resident of Toronto, Ontario, Canada.

Wade Burton (45) — Mr. Burton is a Managing Director and a member of the investment committee of the Portfolio Advisor. Mr. Burton joined the Portfolio Advisor in 2008. Mr. Burton has over 18 years’ of experience in investment management, with specialized expertise in credit restructuring. Prior to joining the Portfolio Advisor in 2008, Mr. Burton was a partner and fund manager at Peter Cundill and Associates (then Mackenzie Cundill from 2006 to 2008). Mr. Burton was the Chief Investment Officer and portfolio manager at Atlas Asset Management in Turks and Caicos Islands from 1999 to 2000, account manager of commercial lending at Canadian Western Bank from 1996 to 1999, and a registered representative at Richardson Greenshields in 1995. Mr. Burton serves as Vice Chairman and Non Executive Director at Grivalia Properties REIC and Mytilneos Holdings S.A. He also serves as Non Executive Director of Eurobank Ergasias S.A. Mr. Burton holds a Bachelor of Arts degree from the University of Western Ontario and received a Chartered Financial Analyst designation in 1999. Mr. Burton is a resident of Toronto, Ontario, Canada.

### ***Fairbridge***

The Portfolio Advisor has retained the services of Fairbridge, as a sub-advisor, to assist the Portfolio Advisor in sourcing and advising with respect to investments for the Company, FIH Mauritius, FIH Private and any other subsidiary through which the Company invests in India from time to time. Fairbridge is an indirect wholly-owned subsidiary of Fairfax that was formed in 2011 and which acts as its India-based investment advisor whose mandate is to identify, review, recommend, advise on and facilitate the implementation of a wide range of investment opportunities for Fairfax. Fairbridge consists of a six person team led by Mr. Harsha Raghavan.

Fairbridge, in its capacity as a sub-advisor to the Portfolio Advisor, assists the Portfolio Advisor in researching, identifying and providing recommendations and advisory services with respect to investment opportunities for the Company, FIH Mauritius, FIH Private and any other subsidiary through which the Company invests in India from time to time. Any fees charged by Fairbridge for such services will be borne by the Portfolio Advisor and no additional amount will be payable by the Company.

The head office of Fairbridge is located at ICICI Lombard House, 414 Veer Savarkar Marg, Prabhadevi, Maharashtra, Mumbai, India, 400025.

The senior management of Fairbridge is comprised of three (3) highly experienced investment professionals:

Harsha Raghavan (45) — Mr. Raghavan is the Managing Director and Chief Executive Officer of Fairbridge and is a member of the Board. Mr. Raghavan has been involved with the Indian private equity industry since 1996 and previously served as Head of India for Candover Investments, co-Head of India for Goldman Sachs PIA and Vice President of Indocan Chase Capital. Mr. Raghavan serves on the board of directors of a number of Fairfax companies, including Fairbridge, National Collateral Management Services Limited, Fairchem Specialty Limited, Sanmar Engineering Services Limited, Saurashtra Freight Private Limited, Thomas Cook (India), SOTC Travel Services Private Limited, Kuoni China and Sterling Holiday Resorts Limited. Mr. Raghavan is also a director of Nations Trust Bank PLC, a financial institution listed on the Colombo Stock Exchange in Sri Lanka. Mr. Raghavan holds a Masters of Business Administration degree and Masters of Science degree in industrial engineering from Stanford University and a Bachelor of Arts degree from the University of California at Berkeley, where he double majored in computer science and economics. Mr. Raghavan is a resident of Mumbai, Maharashtra, India.

Sumit Maheshwari (34) — Mr. Maheshwari, Vice President, has been working at Fairbridge since July 2011. Prior to joining Fairbridge, Mr. Maheshwari worked with KPMG in India for 5 years in their audit and accounting advisory functions. Mr. Maheshwari is a recognized accounting expert, with particular strength in translating between Indian GAAP, U.S. GAAP and IFRS accounting standards. At Fairbridge, Mr. Maheshwari actively participates in financial due diligence, portfolio

company reporting and overall transaction and investment advisory services. Mr. Maheshwari serves on the board of directors of National Collateral Management Services Limited and Fairchem Specialty Limited. He is a qualified Chartered Accountant, holds a Masters of Business Administration degree from the Indian School of Business, Hyderabad, and a Bachelors of Commerce degree from the University of Mumbai. Mr. Maheshwari is a resident of Mumbai, Maharashtra, India.

Sarvjit Singh Bedi (38) — Mr. Bedi, Vice President, has been working at Fairbridge since September 2015. Prior to joining Fairbridge, Mr. Bedi worked with Vedanta Resources, one of the largest diversified natural resource companies in the world. Mr. Bedi previously spent four years with Credit Suisse in the global Mergers & Acquisitions team in New York. At Fairbridge, Mr. Bedi actively participates in financial due diligence, portfolio company reporting and overall transaction and investment advisory services. Mr. Bedi serves on the board of directors of Saurashtra Freight Limited. He is a qualified Chartered Accountant, holds a Masters of Business Administration degree from Cornell University, New York, and a Bachelors in Economics degree from Hindu College, University of Delhi. Mr. Bedi is a resident of Mumbai, Maharashtra, India.

## THE PORTFOLIO ADMINISTRATOR

Pursuant to the Investment Advisory Agreement, Fairfax is responsible for providing or arranging for the provision of certain portfolio administration services required by the Company and its subsidiaries relating to the investment advisory activity of the Portfolio Advisor, including: (i) analysis of portfolios; (ii) yield review; (iii) computation of market decline tests; (iv) computation of liquidity analysis; (v) analysis of book values (e.g., bond amortizations and investment provisions); (vi) analysis of gross gain and loss positions; (vii) cash flow obligations; (viii) broker relationships; (ix) investment review meetings; (x) review and analysis of foreign exchange positions; (xi) performance reporting of the Company; (xii) software provider functioning and testing; and (xiii) assistance with complex accounting issues.

In addition, Fairfax is required to provide a Chief Executive Officer, a Chief Financial Officer and Corporate Secretary to the Company. For so long as the Investment Advisory Agreement remains in effect, all compensation payable to the Chief Executive Officer, the Chief Financial Officer and Corporate Secretary of the Company will be borne by Fairfax.

Fairfax will be entitled to the payment by the Company for the performance of the above services to the Company as part of the Administration and Advisory Fee described under “Summary of Fees and Expenses”.

## CALCULATION OF TOTAL ASSETS AND NET ASSET VALUE

The total assets of the Company on a particular date are equal to the aggregate fair value of the consolidated assets of the Company and its subsidiaries (including FIH Mauritius and FIH Private) on such date, without deduction of liabilities, expressed in U.S. dollars (the “**Total Assets**”). The net asset value of the Company on a particular date is equal to the aggregate fair value of the consolidated assets of the Company and its subsidiaries (including FIH Mauritius and FIH Private) on such date, less the aggregate carrying value of the consolidated liabilities of the Company and its subsidiaries (including FIH Mauritius and FIH Private), and the carrying value of any issued and outstanding preference shares, expressed in U.S. dollars (the “**Net Asset Value**”).

The assets of the Company, FIH Mauritius, FIH Private and any other subsidiary through which the Company invests in India from time to time are valued by the Company in accordance with the procedures described below, subject to the control of the Board, the FIH Mauritius Board, the FIH Private Board and the board of directors of such subsidiary, as the case may be. Foreign currency-denominated investments are valued using foreign currency exchange rates provided by independent sources. Assets are valued at market prices provided by independent pricing sources, except to the extent that market prices are not readily available or do not reflect the fair value of such assets. If market prices are not readily available or if it is determined, following procedures approved by the Board, that market prices may not reflect the fair value of such assets, the Company, in consultation with the Portfolio Advisor, values such assets in accordance with policies and procedures approved by the Board, the FIH Mauritius Board, the FIH Private Board and the board of directors of another subsidiary, as the case may be. Assets that may be valued using fair value pricing include, but are not limited to: (i) an unlisted security; (ii) a restricted security; (iii) a security whose trading has been suspended or which has been de-listed from its primary trading exchange; (iv) a security that is thinly traded; (v) a security whose issuer is in default or bankruptcy proceedings for which there is no current market quotation; (vi) a security affected by extreme market conditions; (vii) a security affected by currency controls or restrictions; and (viii) a security affected by a significant event (e.g., an event that occurs after the close of the markets on which the security is traded).

## THE CUSTODIANS

The Company Custodian and Subsidiary Custodian, at their respective principal offices in Toronto, Ontario, and Mumbai, India, were appointed the custodians of the Company's, FIH Mauritius's and FIH Private's assets pursuant to the custodian agreements entered into between the relevant custodian and the Company or its subsidiaries, as applicable. The Custodians may employ sub-custodians as considered appropriate in the circumstances in accordance with the terms of the applicable custodian agreement. Any sub-custodians appointed from time to time must satisfy the requirements of section 6.2 or 6.3 of National Instrument 81-102 — *Investment Funds* ("NI 81-102"), as applicable.

Any replacement custodian that is retained by the Company will be an entity that would be qualified to act as (i) a custodian or sub-custodian for assets held in Canada, or (ii) a custodian or sub-custodian for assets held outside Canada, as the case may be, in each case in accordance with Part 6 of NI 81-102. Each of the Custodians is qualified to act as a custodian or sub-custodian for assets held in Canada, or a custodian or sub-custodian for assets held outside Canada, as the case may be, in each case in accordance with Part 6 of NI 81-102.

### *The Company Custodian Agreement*

The Company Custodian, in carrying out its duties in respect of the safekeeping of, and dealing with, the Property (as defined in the Company Custodian Agreement), will exercise: (a) the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances; or (b) at least the same degree of care as it exercises with respect to its own property of a similar kind, if this is a higher degree of care than the degree of care referred to in (a).

Unless the Company Custodian has not complied with the standard of care set forth above, the Company Custodian will not be liable for (i) any act or omission in the course of, or connected to, rendering the services under the Company Custodian Agreement or (ii) loss to, or diminution of, the Property. The Company Custodian will not be liable at any time for indirect, incidental, special, or consequential damages and damages for loss of profits, revenue or savings (actual or anticipated), economic loss, loss of data or loss of goodwill. For greater certainty, and except to the extent that the Company Custodian has breached the standard of care referred to above, the Company Custodian will not be responsible for: (a) the authenticity or validity of title to any Property which the Company Custodian did not arrange itself to have appropriately registered; (b) any act or omission required or demanded by any governmental, taxing, regulatory or other competent authority in any country in which all or part of the Property is held or which has jurisdiction over the Company Custodian or the Company; (c) any loss resulting from an event of force majeure, or any other event or factor beyond the reasonable control of the Company Custodian; (d) any failure to act on directions of the Company, if the Company Custodian reasonably believed that to do so might result in breach of applicable law or regulation or the terms of the Company Custodian Agreement; or (e) any Property which the Company Custodian does not hold or which is not directly controlled by the Company Custodian, its affiliates or its appointed agents (including sub-custodians).

The Company will at all times indemnify and save harmless the Company Custodian, its directors, officers, and employees, from and against all taxes, duties, charges, costs, expenses, damages, claims, actions, demands and any other liability whatsoever to which such party may become subject, including legal fees and expenses, in respect of anything done or omitted to be done in connection with the Company Custodian Agreement, except to the extent occasioned by the negligence, wilful misconduct or lack of good faith of such party. If, at the Company's request, any indemnified party agrees to appear in, prosecute, defend or otherwise act in relation to any process or proceeding, either in its own name or in the name of its nominee, that party will first be indemnified to its satisfaction.

Either party may terminate the Company Custodian Agreement at any time without penalty by giving at least thirty (30) days' prior written notice to the other party of such termination. Such prior notice is not required and termination will be immediate upon the giving of notice in accordance with the Company Custodian Agreement in the event that: (a) either party is declared bankrupt or insolvent; or (b) the assets or the business of either party becomes liable to seizure or confiscation by any public or governmental authority.

### *FIH Mauritius and FIH Private Subsidiary Custodian Agreements*

The Subsidiary Custodian will use reasonable care in the performance of its duties under the Subsidiary Custodian Agreements. FIH Mauritius and FIH Private will indemnify and hold harmless the Subsidiary Custodian from and against any direct loss, charges, costs, damages, liability, judgments and amounts paid in settlement, claim or expense (including reasonable legal fees and disbursements) reasonably suffered or incurred by the Subsidiary Custodian arising from or in connection with the performance of its duties under the Subsidiary Custodian Agreements; provided, however, that such

indemnity will not apply to any liability or expense occasioned by or resulting from the wilful misconduct, negligence, breach of the standard of care set forth above or wrongful act of the Subsidiary Custodian or any of their employees, directors, officers or sub-custodians in the performance of the Subsidiary Custodian's duties under the Subsidiary Custodian Agreements. FIH Mauritius or FIH Private, as the case may be, further agrees to indemnify and hold harmless the Subsidiary Custodian against any claims for income tax (including penalties) paid or payable by the Subsidiary Custodian as agent of FIH Mauritius or FIH Private, as the case may be (or of any person on whose behalf FIH Mauritius or FIH Private, as the case may be, is acting), under the tax laws of the jurisdiction in which FIH Mauritius or FIH Private, as the case may be, is located, notwithstanding that FIH Mauritius or FIH Private, as the case may be, has disputed such claims.

The Subsidiary Custodian will not be responsible for any loss or damage suffered by FIH Mauritius or FIH Private, as the case may be, as a result of the Subsidiary Custodian performing its duties or for any act or omission in respect of any instructions and/or under the Subsidiary Custodian Agreements unless the same results from the negligence or wilful default of the Subsidiary Custodian, in which case the Subsidiary Custodian's liability will not exceed the market value of the relevant Securities (as defined in the Subsidiary Custodian Agreements) and/or Cash (as defined in the Subsidiary Custodian Agreements) at the time of (a) such negligence or wilful default or (b) FIH Mauritius's or FIH Private's, as the case may be, discovery of the loss or damage (whichever is higher). The Subsidiary Custodian will not have any responsibility for any loss or liability owing to any reason or cause beyond its reasonable control, including events of force majeure. The Subsidiary Custodian will not be liable for any negligence, default, failure or delay of any depository, clearing system, securities registration body or securities registrar (or similar party) and any losses arising therefrom. In addition, the Subsidiary Custodian will not be liable for any consequential or indirect loss.

FIH Mauritius, FIH Private or the Subsidiary Custodian may terminate the applicable Subsidiary Custodian Agreement without any penalty upon at least 30 days' prior written notice to the other party. Any replacement custodian that is retained by FIH Mauritius or FIH Private will be an entity that would be qualified to act as (i) a custodian or sub-custodian for assets held in Canada, or (ii) a custodian or sub-custodian for assets held outside Canada, as the case may be, in each case in accordance with Part 6 of NI 81-102. The Subsidiary Custodian is qualified to act as a custodian or sub-custodian for assets held in Canada, or a custodian or sub-custodian for assets held outside Canada, as the case may be, in each case in accordance with Part 6 of NI 81-102.

## SUMMARY OF FEES AND EXPENSES

The following table contains a summary of the fees and expenses payable or incurred by the Company, which will therefore reduce the Net Asset Value of the Company.

### **Administration and Advisory Fee and Performance Fee:**

As compensation for the provision of portfolio administration and investment advisory services provided by Fairfax and the Portfolio Advisor, the Company will pay the administration and advisory fee (the "**Administration and Advisory Fee**") and, if applicable, the Performance Fee, in each case, together with any applicable sales taxes thereon to Fairfax. The Administration and Advisory Fee will be an amount equal to the sum of: (i) 1.5% of the Net Asset Value of the Company less the aggregate fair value of any Undeployed Capital; and (ii) 0.5% of the aggregate fair value of any Undeployed Capital. The Administration and Advisory Fee will be calculated and payable quarterly as of the last business day of each quarter and allocated proportionately, once determined, based on the consolidated assets of the Company, FIH Mauritius, FIH Private and any other subsidiary through which the Company invests from time to time, unless otherwise agreed.

For the year ended December 31, 2016, a portion of the Company's assets (with the exception of our investments in portfolio companies) were classified as Undeployed Capital subject to the 0.5% per annum fee payable on their aggregate fair value for the period from January 1, 2016 to December 31, 2016, less the fair value of investments in portfolio companies. A fee of 1.5% per annum based on the fair values of the applicable portfolio companies as at December 31, 2016 was accrued from January 1, 2016 (or the closing date of the relevant transaction where a portfolio company was acquired in 2016) to December 31, 2016. The Administration and Advisory fee for the year ended December 31, 2016 was approximately \$12.6 million.

The performance fee (the "**Performance Fee**") is paid for the period from January 30, 2015 to December 31, 2017 and for each consecutive three-year period thereafter (each a "**Calculation Period**"). The amount of the Performance Fee shall be determined as of the end

of the last day of each Calculation Period with respect to the Multiple Voting Shares and the Subordinate Voting Shares of the Company then outstanding. All calculations with respect to the Performance Fee will be made to four decimal places. The Company determined that no Performance Fee should be accrued for the year ended December 31, 2016 as the book value per share of \$10.25 at that date was less than the hurdle per share at that date of \$10.75.

The Performance Fee for a Calculation Period, if any, will be paid within 30 days after the Company issues its year-end audited financial statements for the last calendar year of such Calculation Period. The Performance Fee will be allocated proportionately, once determined, based on the consolidated assets of the Company, FIH Mauritius, FIH Private and any other subsidiary through which the Company invests from time to time, and paid by the Company to Fairfax, unless otherwise agreed.

The Performance Fee will be payable in cash, or at the option of Fairfax, in Subordinate Voting Shares. If Fairfax elects to have the Performance Fee paid in Subordinate Voting Shares, such election must be made no later than December 15 of the last year of the applicable Calculation Period in respect of which the Performance Fee is to be paid. The number of Subordinate Voting Shares to be issued will be calculated based on market price (the “**Market Price**”), being the volume-weighted average trading price of the Subordinate Voting Shares on a recognized stock exchange for the 10 trading days prior to and including the last day of the Calculation Period in respect of which the Performance Fee is to be paid regardless of the actual date of issuance thereof and for purposes of calculating the Performance Fee in respect of subsequent Calculation Periods thereafter will be deemed to be outstanding as of the first day of such Calculation Period regardless of the date of actual issuance. Notwithstanding the foregoing, in respect of the first two Calculation Periods following Closing, in the event that the Subordinate Voting Shares are trading at a Market Price per Subordinate Voting Share that is less than 2 times the NAV per Share as of the last day of the applicable Calculation Period, Fairfax shall receive the Performance Fee, if any, in the form of Subordinate Voting Shares, to the extent permitted under applicable law, stock exchange rules and the immediately following sentence. In no instance will Subordinate Voting Shares be issued to satisfy the Performance Fee if, after such issuance, Fairfax and its affiliates would own more than 49% of the outstanding equity capital of the Company on the date of issuance.

The Administration and Advisory Fee and the Performance Fee, if any, will be paid to Fairfax. Any portion of such fees to which the Portfolio Advisor is entitled will be paid by Fairfax to the Portfolio Advisor.

The Performance Fee for a Calculation Period will be equal to the product of:

(a) the number of Multiple Voting Shares and Subordinate Voting Shares outstanding as of the end of the last day of each Calculation Period (each a “**Determination Date**”) for such Calculation Period (calculated before taking into account any Subordinate Voting Shares issuable in payment of a Performance Fee for such Calculation Period), and

(b) 20% of the amount by which the sum of:

(i) the NAV per Share of the Company at the end of such Calculation Period (calculated before taking into account the Performance Fee payable for the period ending on the Determination Date for such Calculation Period), plus

(ii) the total amount of distributions paid on the Multiple Voting Shares and Subordinate Voting Shares during such Calculation Period and all consecutive immediately preceding Calculation Periods, if any, in respect of which no Performance Fee was paid divided by the weighted average number of Multiple Voting Shares and Subordinate Voting Shares outstanding during such Calculation Periods,

exceeds the greater of:

- (i) the High Water Mark, and
- (ii) the Hurdle per Share.

**Ongoing Fees and Expenses:**

The Portfolio Advisor and Fairfax are each responsible for their own day-to-day operating expenses, including in connection with the provision of investment advisory (including discovery and evaluation of investment opportunities) and portfolio administration services for the Company and its subsidiaries, compensation of their professional staff and the cost of office space, office supplies, communications, telephone, news, quotation and computer equipment, utilities and other normal overhead expenses. The Portfolio Advisor also bears fees and expenses payable to any sub-advisor.

Each of the Company and its subsidiaries are responsible for its own operating expenses including: (i) all expenses incurred in connection with trading and the acquisition, holding or disposition of investments following recommendation by the Portfolio Advisor, including taxes, brokerage fees and commissions, underwriting commissions and discounts, expenses related to indemnification obligations, and legal, accounting, investment banking, consulting, information services and other professional fees; (ii) all costs and expenses relating to investment transactions that are not consummated after recommendation by the Portfolio Advisor, and legal, accounting, investment banking, consulting, information services and other professional fees related thereto; (iii) entity-level taxes; (iv) all costs and fees relating to the preparation of financial statements, audits, financial and tax reports, portfolio valuations, tax returns and other reports and continuous disclosure materials, including fees and out-of-pocket expenses of any service company retained to provide accounting and bookkeeping services; (v) all ongoing legal and compliance costs and the costs of prosecuting or defending any legal action for or against any of the Company, FIH Mauritius, FIH Private, the Board, the FIH Mauritius Board, the FIH Private Board, any other subsidiary through which the Company invests in Indian Investments from time to time and its board of directors, the Portfolio Advisor, Fairfax or any of their respective affiliates relating to the affairs of the Company; (vi) compensation of officers and employees (excluding the Chief Executive Officer, the Chief Financial Officer and Corporate Secretary of the Company); (vii) all fees, costs and expenses related to all governmental filings of the Company or its subsidiaries; (viii) expenses of the directors, including directors' fees and travel expenses; (ix) expenses related to maintenance of corporate records and books of account, including, without limitation, accounting and auditing fees, disbursements and company secretarial expenses; and (x) expenses related to organization and conduct of directors' and shareholders' meetings and the preparation and distribution of all reports to, and other communications with, shareholders, expenses related to issuing and transferring shares and paying dividends or making other distributions thereon, extraordinary expenses and other similar expenses.

Any arrangements for additional services to be provided to the Company or its subsidiaries by the Portfolio Advisor, Fairfax or any affiliates thereof that have not been described in this annual information form will be on terms that are no less favourable to the Company or its subsidiaries than those available from arm's length persons (within the meaning of the Tax Act) for comparable services, and the Company or such subsidiary, as the case may be, will pay all expenses associated with any such additional services.

The "High Water Mark" will be (a) in respect of the initial Calculation Period, the Net Proceeds of the Offerings on the Closing Date, divided by the aggregate number of Multiple Voting Shares and Subordinate Voting Shares outstanding on the Closing Date, and (b) in respect of any Calculation Period thereafter, (x) the highest NAV per Share on any preceding Determination Date for a Calculation Period in respect of which a Performance Fee was paid (calculated after taking into account the Performance Fee, if any, in respect of such Calculation Period, including any Performance Fee which is paid through the issuance of Subordinate Voting Shares) or (y) if no Performance Fee has yet been paid, the High Water Mark in respect of the initial Calculation Period.

The “Hurdle per Share” for a Calculation Period will be equal to the quotient of:

- (a) the sum of:
  - (x) the product of (1) the weighted average of the Adjusted Capital for the period from the Closing Date to the Determination Date for such Calculation Period, (2) 5%, and (3) the number of years (which need not be an integer) since the Closing Date, and
  - (y) the Adjusted Capital on the Determination Date for such Calculation Period,
 divided by
- (b) the number of Multiple Voting Shares and Subordinate Voting Shares outstanding on the Determination Date for such Calculation Period (calculated before taking into account any Subordinate Voting Shares issued in payment of a Performance Fee for such Calculation Period).

The “Adjusted Capital” on any date is equal to the net proceeds from the issuance of Multiple Voting Shares and Subordinate Voting Shares on the Closing Date, plus the net proceeds from, or consideration for, all issuances of Multiple Voting Shares and Subordinate Voting Shares (other than on a share conversion) after the Closing Date but on or before such date, less all amounts paid by the Company in connection with any purchase for cancellation of Multiple Voting Shares and Subordinate Voting Shares after the Closing Date but on or before such date.

## **RISK FACTORS**

An investment in the Company and the Subordinate Voting Shares carries a number of risks, many of which are inherent in the business to be conducted by the Company, including the risk that the entire investment may be lost. In addition to all other information set out in this annual information form, the following specific factors could materially adversely affect the Company. Other risks and uncertainties that the Company does not presently consider to be material, or of which the Company is not presently aware, may become important factors that affect the Company’s future financial condition and results of operations. The occurrence of any of the risks discussed below could materially adversely affect the business, prospects, financial condition, results of operations or cash flow of the Company.

### ***Canadian Tax-Related Risk Factors***

#### *Taxation of the Company*

The Company is subject to tax in each taxation year under Part I of the Tax Act on the amount of its income for the year including income that is deemed to accrue to it in respect of the FAPI of any of its CFAs or Indirect CFAs. To the extent that any CFA of the Company, including FIH Mauritius or any Indirect CFA, including FIH Private, earns income that is characterized as FAPI in a particular taxation year of the CFA or Indirect CFA, the FAPI of such CFA or Indirect CFA allocable to the Company must be included in computing the income of the Company for Canadian federal income tax purposes for the fiscal year of the Company in which the taxation year of the CFA or the Indirect CFA ends, whether or not the Company actually receives a distribution of that FAPI. The Company, FIH Mauritius and FIH Private are anticipated to earn FAPI in respect of certain interest, dividends and capital gains received from investments including, in certain circumstances, FAPI which arises from deemed income under section 94.1 of the Tax Act.

As the Company and its subsidiaries invest in investment securities issued by foreign issuers, the Company and its subsidiaries are subject to foreign withholding taxes in respect of payments received or deemed to be received from such investments for which they may be unable to obtain relief in the form of deductions or credits from taxes otherwise payable.

Under the tax laws of India, indirect investors in Indian investments, including shareholders of the Company, may be subject to tax in India upon transfer of their shares in the Company where the Company derives substantial value from India (subject to certain exemptions). It is not clear as a practical matter how the buyer will apply withholding tax on payments made to foreign nationals transacting in shares of a public company on a foreign stock exchange where the transaction falls within the Indian tax net. Accordingly, there is a risk that a Canadian resident shareholder of the Company may be subject to Indian income or withholding tax on gains realized by such shareholder on a disposition (or deemed disposition) of shares of the Company, including the Subordinate Voting Shares, if the shares of the Company derive, directly or indirectly, their value substantially from assets located in India. This will be subject, however, to certain specific exemptions for small shareholders and tax neutral mergers and demerges. The Tax Act contains comprehensive rules that provide Canadian residents with foreign tax credits or deductions in respect of income and withholding taxes paid by (or on behalf of) such residents to a government other than Canada. However, such rules are complex and subject to various exceptions and limitations and, as a result, there is a risk that a Canadian resident shareholder of the Company may not be able to obtain a foreign tax credit and/or deduction that would fully offset the amount of Indian tax paid by (or on behalf of) such shareholder. See: “Risk Factors Related to Investments in India — Indian Tax Law” below.

No assurance can be given that applicable Canadian tax laws or the judicial or administrative interpretation thereof will not change or that new taxes will not be implemented which would adversely affect the Company or the income tax consequences of acquiring, holding or disposing of Subordinate Voting Shares .

#### *Taxation of FIH Mauritius and FIH Private*

It is assumed that FIH Mauritius and FIH Private will, at all times, be non-residents of Canada for purposes of the Tax Act. FIH Mauritius and FIH Private, however, may have directors who are resident in Canada (currently only one director is resident in Canada). A corporation that has its “mind and management” in Canada will be considered to be resident in Canada for Canadian federal income tax purposes. The Company operates each of FIH Mauritius and FIH Private to ensure that its “mind and management” does not reside in Canada and that it does not carry on business in Canada. However, no assurances with respect to factual determinations such as this can be given by the Company’s legal counsel. If FIH Mauritius or FIH Private were found to be resident in Canada, FIH Mauritius or FIH Private, as the case may be, would be subject to tax in Canada on its worldwide income. If FIH Mauritius or FIH Private were found to carry on business in Canada, it would be subject to tax in Canada on its income in respect of its business carried on in Canada.

#### ***Risk Factors Related to the Business of the Company***

##### *Substantial Loss of Capital*

The investments made by the Company are speculative in nature and purchasers of Subordinate Voting Shares could experience a loss of all or substantially all of their investment in the Company. There can be no assurance that the Company will be able to make and realize investments or generate positive returns. There can also be no assurance that the returns generated, if any, will be commensurate with the risks of investing in the types of investments contemplated by the Company’s investment objectives. As such, an investment in the Company should only be considered by persons who can afford a loss of their entire investment.

##### *Shareholders Are Not Entitled to Vote on the Company’s Proposed Investments*

The Company relies on the Portfolio Advisor to source and identify suitable investments. Accordingly, holders of Subordinate Voting Shares will not be afforded the opportunity to either approve or oppose an investment opportunity of the Company. Thus, the Company may consummate any such investment even if a majority of the holders of its outstanding equity securities do not favour the particular investment.

##### *Long Term Nature of Investment*

An investment in Subordinate Voting Shares requires a long term commitment with no certainty of return. Most significant investments to be made by the Company are not expected to generate current income. Therefore, the return of capital to the Company and the realization of gains, if any, from the Company’s investments will generally occur only upon the partial or complete realization or disposition of such investment. While an investment of the Company may be realized or disposed of at any time, it is generally expected that the ultimate realization or disposition of most of the Company’s investments will not occur for a number of years after each such investment is made.

### *Limited Number of Investments*

The Company currently has 7 investments in portfolio companies which is not a significant number. Consequently, the Company's aggregate returns may be significantly adversely affected if one or more significant investments perform poorly or if the Company needs to write-down the value of any one significant investment.

### *Geographic Concentration of Investments*

The Company has invested most of the Net Proceeds of the Offerings in various investment opportunities in India. As a result, the Company's performance is particularly sensitive to economic changes in India. The market value of the Company's investments, the income generated by the Company and the Company's performance is particularly sensitive to changes in the economic condition and regulatory environment in India. Adverse changes in the economic condition or regulatory environment of India may have a material adverse effect on the Company's business, cash flows, financial condition and results of operations.

### *Potential Lack of Diversification*

Although the Company's investments are required to be in India and Indian businesses or other businesses with customers, suppliers or business primarily conducted in, or dependent on, India, the Company does not have any specific limits on investments in businesses in any one industry or size of business. The Company's investments made to date have been made in portfolio companies in the logistics, financial services, chemical manufacturing and transportation industries. The Company's investments may be more susceptible to fluctuations in value resulting from adverse economic conditions affecting any such particular industry or segment of business in India than would be the case if the Company were required to satisfy certain investment guidelines relating to business diversification.

### *Financial Market Fluctuations*

The Company invests in both private businesses and publicly traded businesses. With respect to publicly traded businesses (IIFL and Fairchem are publicly traded businesses) fluctuations in the market prices of such securities may negatively affect the value of such investments. In addition, general instability in the public debt market and other securities markets may impede the ability of businesses to refinance their debt through selling new securities, thereby limiting the Company's investment options with regard to a particular portfolio investment.

Global capital markets have experienced extreme volatility and disruption in recent years as evidenced by the failure of major financial institutions, significant write-offs suffered by the financial services sector, the re-pricing of credit risk, the unavailability of credit or the downgrading and the possibility of default by sovereign issuers, forced exit or voluntary withdrawal of countries from a common currency and/or devaluation. Despite actions of government authorities, these events have contributed to a worsening of general economic conditions, high levels of unemployment in Western economies and the introduction of austerity measures by governments.

Such worsening of financial market and economic conditions may have a negative effect on the valuations of, and the ability of the Company to exit or partially divest from, investment positions. Adverse economic conditions may also decrease the value of collateral securing some of its positions, and require the Company to contribute additional collateral.

Depending on market conditions, the Company may incur substantial realized and unrealized losses in future periods, all of which may materially adversely affect its results of operations and the value of any investment in the Company.

### *Pace of Completing Investments*

The Company's business is to identify, with the assistance of the Portfolio Advisor, suitable investment opportunities, pursuing such opportunities and consummating such investment opportunities. If the Company is unable to source and manage its investments effectively, it would adversely impact the Company's financial position and earnings. There can be no assurance as to the pace of finding and implementing investment opportunities.

Conversely, there may only be a limited number of suitable investment opportunities at any given time. This may cause the Company, while it deploys cash proceeds not yet invested, to hold significant levels of Permitted Investments. A lengthy period prior to which capital is deployed may adversely affect the Company's overall performance.

### *Control or Significant Influence Position Risk*

Although non-control investments may also be made, the Company generally intends, subject to compliance with applicable law, to make investments that allow the Company to acquire control or exercise significant influence over management and the strategic direction of a business. The exercise of control over a business imposes additional risks of liability for environmental damage, product defects, failure to supervise management and other types of liability in which the limited liability characteristic of business operations may be ignored. The exercise of control over an investment could expose the assets of the Company to claims by such businesses, its shareholders and its creditors. While the Company manages its investments in a manner that will minimize the exposure to these risks, the possibility of successful claims cannot be precluded.

### *Minority Investments*

The Company may make minority equity investments in businesses in which the Company does not participate in the management or otherwise influence the business or affairs of such businesses. An example of such a minority equity investment is the Company's investment in NSE. The Company will monitor the performance of each investment and maintain an ongoing dialogue with each businesses management team. However, it will be primarily the responsibility of the management of the business to operate the business on a day-to-day basis and the Company may not have the right to influence such business.

### *Ranking of the Company's Investments and Structural Subordination*

The Company will invest in public and private equity securities and debt instruments. Portfolio investments may have, or may be permitted to incur, other debt that ranks equally with, or senior to, the debt in which the Company invests. By their terms, such debt instruments may entitle the holders to receive payment of interest or principal on or before the dates on which the Company is entitled to receive payments with respect to the debt instruments in which the Company invests. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio business, holders of debt instruments ranking senior to the Company's investment in that portfolio business would typically be entitled to receive payment in full before the Company receives any distribution. After repaying such senior creditors, such portfolio business may not have any remaining assets to use to repay its obligation to the Company. In the case of debt ranking equally with debt instruments in which the Company invests, the Company would have to share on an equal basis any distributions with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio business. The Company's only Indian Investment in debt to date is its investment in certain bonds of Sanmar.

### *Follow-On Investments*

Following the initial investment in a business, the Company may be called upon to provide additional funds or have the opportunity to increase its investment in such business through the exercise of a warrant or other right to purchase securities or to fund additional investments through such business. There is no assurance that the Company will make follow-on investments or that the Company will have sufficient funds to make any such investment. Even if the Company has sufficient capital to make a desired follow-on investment, the Company may elect not to make such investment, as the Company may not want to increase its level of risk, the Company may prefer other opportunities or the Company may be restricted from doing so under its investment guidelines. Any decision by the Company not to make follow-on investments or its inability to make such follow-on investments may have a negative impact on the portfolio business in need of such investment, may result in a missed opportunity for the Company to increase its participation in a successful operation or may reduce the expected return on the investment.

### *Prepayments of Debt Investments*

Debt investments made by the Company may be repaid or prepaid by portfolio businesses prior to maturity. When this occurs, the Company will generally reinvest these proceeds in temporary investments, pending their future investment in new portfolio businesses. These temporary investments will typically have substantially lower yields than the debt being prepaid and the Company could experience significant delays in reinvesting these amounts. Any future investment in a new portfolio business may also be at lower yields than the debt that was repaid. As a result, the Company's results of operations could be materially adversely affected if one or more portfolio businesses elect to prepay amounts owed to the Company. Downward changes in interest rates may cause prepayments to occur at a faster than expected rate, thereby effectively

shortening the maturity of the security and making the security less likely to be an income-producing instrument. Additionally, prepayments, net of prepayment fees (if any), could negatively impact the Company's return on equity.

#### *Risks upon Dispositions of Investments*

In connection with the disposition of an investment in a business, the Company may be required to make representations about the business and financial affairs of the business, or may be responsible as a selling stockholder for the contents of disclosure documents under applicable securities laws. The Company may also be required to indemnify the borrowers, investors or purchasers of such investment or underwriters to the extent that any such representation turns out to be incorrect, inaccurate or misleading.

#### *Bridge Financings*

From time to time, the Company may lend to businesses on a short-term, unsecured basis in anticipation of a future issuance of equity or long term securities. Such bridge loans will typically be convertible into a more permanent, long term security. It is possible, however, for reasons not always in the Company's control, that such long term securities may not be issued and such bridge loans may remain outstanding. In such event, the interest rate on such loans may not adequately reflect the risk associated with the unsecured position taken by the Company.

#### *Reliance on Key Personnel and Risks Associated with the Investment Advisory Agreement*

The management and governance of the Company depends on the services of certain key personnel, including the Portfolio Advisor, Fairfax, as administrator, and certain executive officers of the Company. The loss of the services of any key personnel, particularly V. Prem Watsa and Chandran Ratnaswami, could have a material adverse effect on the Company and materially adversely affect the Company's financial condition and results of operations.

The Company relies on the Portfolio Advisor and any of its sub-advisors, from time to time, including Fairbridge, with respect to the sourcing and advising with respect to their investments. Consequently, the Company's ability to achieve its investment objectives depends in large part on the Portfolio Advisor and its ability to identify and advise the Company on attractive investment opportunities. This means that the Company's investments are dependent upon the Portfolio Advisor's business contacts, its ability to successfully hire, train, supervise and manage its personnel and its ability to maintain its operating systems. If the Company were to lose the services provided by the Portfolio Advisor or its key personnel or if the Portfolio Advisor fails to satisfactorily perform its obligations under the Investment Advisory Agreement, the Company's investments and growth prospects may decline.

The Company may be unable to duplicate the quality and depth of management from the Portfolio Advisor if the Company were to source and manage its own investments or if it were to hire another investment advisor. Prospective investors should not purchase any securities of the Company unless they are prepared to rely on the Directors, the MI Directors, each of their respective executive officers and the Portfolio Advisor. The Investment Advisory Agreement may be terminated in certain circumstances and is only renewable on certain conditions. Accordingly, there can be no assurance that the Company will continue to have the benefit of the Portfolio Advisor's services, or Fairfax's services, including their respective executive officers, that the Portfolio Advisor will continue to be the Company's investment advisor or that Fairfax will continue to provide investment administration services. If the Portfolio Advisor should cease for whatever reason to be the investment advisor of the Company or Fairfax should cease to provide investment administration services to the Company, the cost of obtaining substitute services may be greater than the fees the Company will pay the Portfolio Advisor and Fairfax under the Investment Advisory Agreement. Such increased fees may adversely affect the Company's ability to meet its objectives and execute its strategy which could materially and adversely affect the Company's cash flows, operating results and financial condition.

#### *Effect of Fees*

The Company will be required to pay the Administration and Advisory Fee and the Performance Fee, if any, to Fairfax. From time to time, the payment of such fees will reduce the actual returns to holders of Subordinate Voting Shares. A portion of these fees will be payable to Fairfax regardless of whether the Company produces positive investment returns.

### *Performance Fee could induce Fairfax to make Speculative Investments*

The Performance Fee that may be payable to Fairfax may create an incentive for the Portfolio Advisor to make or recommend investments that are more speculative or involve more risk than would be the case in the absence of such a compensation arrangement. The way in which the Performance Fee payable is determined (calculated as a percentage of the return above a certain amount on invested capital) may encourage the Portfolio Advisor to use or recommend the use of leverage to increase the return on the Company's investments. Increased use of leverage and the corresponding increased risk of replacement of that leverage at maturity could increase the likelihood of default, by the Company, and could materially and adversely affect the Company's cash flows, operating results and financial condition.

### *Operating and Financial Risks of Investments*

Businesses in which the Company invests could deteriorate as a result of, among other factors, an adverse development in their business operations, a change in the competitive environment or an economic downturn. As a result, businesses that the Company expects to be stable may operate at a loss or have significant variations in operating results, may require substantial additional capital to support their operations or to maintain their competitive position, or may otherwise have a weak financial condition or experience financial distress. In some cases, the success of the Company's investment strategy will depend, in part, on the ability of the Company to restructure and effect improvements in the operations of a business in which it has invested. The activity of identifying and implementing restructuring programs and operating improvements at businesses entails a high degree of uncertainty. There can be no assurance that the Company will be able to successfully identify and implement such restructuring programs and improvements.

### *Allocation of Personnel*

The Portfolio Advisor's officers and employees are not able devote all of their business time and attention to the Company as they will continue to be involved in the operations of the Portfolio Advisor's other lines of business. The Portfolio Advisor's officers and employees devote such time and attention to the business of the Company as they reasonably consider necessary to effectively carry out the operations of the Company and satisfactorily perform its obligations under the Investment Advisory Agreement.

### *Potential Conflicts of Interest*

The Company will rely on the Portfolio Advisor's expertise in identifying and advising on investment opportunities, transaction execution and asset management capabilities. The Portfolio Advisor also provides similar services to other subsidiaries of Fairfax. The advisory services to be provided by the Portfolio Advisor under the Investment Advisory Agreement are to be provided on a non-exclusive basis to the Company and its subsidiaries, and accordingly, there are no restrictions on the Portfolio Advisor from providing similar services to other entities, including Fairfax and its subsidiaries, or from engaging in other activities in the future (whether or not their investment objectives, strategies and policies are similar to those of the Company). The Company acknowledges that the Portfolio Advisor will allocate investment opportunities among the Company and its subsidiaries and the Portfolio Advisor's other portfolio clients in accordance with the Portfolio Advisor's fair allocation policy (see "The Portfolio Advisor and Fairbridge – Fair Allocation"). As a result of this fair allocation policy, the Company may, from time to time, be precluded from participating in an investment opportunity available to the Portfolio Advisor that would otherwise be compatible with the Company's investment objectives and restrictions. In addition, although allocation of investment opportunities will be made in accordance with the Portfolio Advisor's fair allocation policy, the Portfolio Advisor may encounter conflicts of interest when allocating investment opportunities among the Company and the Portfolio Advisor's other portfolio clients.

The Portfolio Advisor is not restricted from forming additional investment funds, entering into other investment advisory relationships, exercising investment responsibility, engaging in other business (or non-business) activities or directly or indirectly purchasing, selling, holding or otherwise dealing with any securities for the account of any such other business or for other portfolio clients (including, without limitation, for or on behalf of clients that invest or may invest in the Company). For example, the Portfolio Advisor recently entered into an investment advisory relationship with Fairfax Africa Holdings Corporation, which entity completed its initial public offering on February 17, 2017. These activities, including the establishment of other investment funds that may be more, similarly or less concentrated than the Company, may be in competition with the Company or involve substantial time and resources of the Portfolio Advisor, and may give rise to additional conflicts of interest.

Furthermore, certain Indian indirect subsidiaries of Fairfax, each of which are comprised of their own management teams, will continue to operate their existing businesses as they see fit and pursue additional Indian investment opportunities for themselves as they may desire. Such competition may increase the cost of investment opportunities that are of interest to the Company, increase competition for those investment opportunities generally or inhibit their consummation altogether.

In addition, the MI Directors will, from time to time, in their individual capacities, deal with parties with whom the Company or its subsidiaries may be dealing, or may be seeking investments similar to those desired by the Company or its subsidiaries. It is possible that the interests of these persons could conflict with those of the Company or its subsidiaries.

Conflicts may also exist due to the fact that certain Directors will be affiliated with the Portfolio Advisor. While the Company and the Portfolio Advisor will enter into certain arrangements, the Portfolio Advisor and its affiliates are engaged in a wide variety of business activities, and the Company may, consequently, become involved in transactions that conflict with the interests of the Portfolio Advisor and/or its affiliates. Applicable corporate law contains conflict of interest provisions requiring the Directors to disclose their interests in certain contracts and transactions and to refrain from voting on those matters.

#### *The Liability of the Portfolio Advisor is Limited*

Under the Investment Advisory Agreement, the Portfolio Advisor does not assume any responsibility other than to perform the obligations, duties and responsibilities described in the Investment Advisory Agreement. As a result, the right of the Company to recover against the Portfolio Advisor may be limited to damages arising out of the performance or non-performance of the responsibilities explicitly set forth in the Investment Advisory Agreement. In addition, the Investment Advisory Agreement contains provisions exonerating the Portfolio Advisor and related persons from liability in connection with the performance of obligations under the Investment Advisory Agreement or indemnifying the Portfolio Advisor or related persons under certain circumstances, even if the Portfolio Advisor has been negligent. These protections from liability may result in the Portfolio Advisor tolerating greater risks when making investment-related decisions or providing investment-related advice than would otherwise be the case, including when determining whether to use or advise with respect to leverage in connection with investments.

#### *Employee Misconduct at the Portfolio Advisor Could Harm the Company*

There is a risk that employees of the Portfolio Advisor could engage in misconduct that adversely affects its reputation, business and ability to successfully execute its investment strategy and that, in turn, may harm the operations and financial condition of the Company. The Portfolio Advisor's business often requires that it deal with confidential matters relating to companies on which it may provide advice or invest. It is not always possible to detect or deter employee misconduct, and the precautions the Portfolio Advisor takes to detect and prevent these types of activities may not be effective in all cases. If any of the Portfolio Advisor's employees were to engage in misconduct or were to be accused of such misconduct, whether or not substantiated, the Portfolio Advisor's business and reputation could be adversely affected and a loss of investor confidence could result, which could materially adversely affect the Company.

#### *Valuation Methodologies Involve Subjective Judgments*

For purposes of IFRS-compliant financial reporting, the Company's assets and liabilities will be valued in accordance with IFRS. Accordingly, the Company is required to follow a specific framework for measuring the fair value of its assets and liabilities and, in its audited financial statements, to provide certain disclosures regarding the use of fair value measurements.

The fair value measurement accounting guidance establishes a hierarchal disclosure framework that ranks the observability of market inputs used in measuring financing instruments at fair value. The observability of inputs depends on a number of factors, including the type of financial instrument, the characteristics specific to the financial instrument and the state of the marketplace, including the existence and transparency of transactions between market participants. Financial instruments with readily quoted prices, or for which fair value can be measured from quoted prices in active markets, generally will have a high degree of market price observability and less judgment applied in determining fair value.

A portion of the Company's portfolio investments are in the form of securities that are not publicly traded. The fair value of securities and other investments that are not publicly traded may not be readily determinable. The Company will value these securities quarterly at fair value as determined in good faith by the Company and in accordance with the valuation policies and procedures described under "Calculation of Total Assets and Net Asset Value". However, the Company may be

required to value its securities at fair value as determined in good faith by the Board to the extent necessary to reflect significant events affecting the value of its securities. The Company may utilize the services of an independent valuation firm to aid it in determining the fair value of these securities. The types of factors that may be considered in fair value pricing of the Company's investments include the nature and realizable value of any collateral, the portfolio business' ability to make payments and its earnings, the markets in which the portfolio investment does business, comparison to publicly traded companies, discounted cash flow and other relevant factors. Because such valuations, and particularly valuations of private securities and private companies, are inherently uncertain, such valuations may fluctuate over short periods of time and may be based on estimates, and the Company's determinations of fair value may differ materially from the values that would have been used if a ready market for these securities existed. The value of the Company's Total Assets could be materially adversely affected if the Company's determinations regarding the fair value of its investments were materially higher than the values that it ultimately realizes upon the disposition of such securities.

The value of the Company's portfolio may also be affected by changes in accounting standards, policies or practices. From time to time, the Company will be required to adopt new or revised accounting standards or guidance. It is possible that future accounting standards that the Company is required to adopt could change the valuation of the Company's assets and liabilities.

Due to a wide variety of market factors and the nature of certain securities to be held by the Company, there is no guarantee that the value determined by the Company or any third-party valuation agents will represent the value that will be realized by the Company on the eventual disposition of the investment or that would, in fact, be realized upon an immediate disposition of the investment. Moreover, the valuations to be performed by the Company or any third-party valuation agents are inherently different from the valuation of the Company's securities that would be performed if the Company were forced to liquidate all or a significant portion of its securities, which liquidation valuation could be materially lower.

#### *Lawsuits*

The Company may, from time to time, become party to a variety of legal claims and regulatory proceedings in Canada, India, Mauritius or elsewhere. The existence of such claims against the Company or its affiliates, directors or officers could have various adverse effects, including the incurrence of significant legal expenses defending such claims, even those claims without merit. The Company manages day-to-day regulatory and legal risk primarily by implementing appropriate policies, procedures and controls. Internal and external legal counsel also work closely with the Company to identify and mitigate areas of potential regulatory and legal risk.

#### *Foreign Currency Fluctuation*

All of the Company's portfolio investments have been and will be made in India and in Indian businesses or other businesses with customers, suppliers or business primarily conducted in, or dependent on, India, or in Permitted Investments, and the financial position and results for these investments have been and are expected to be principally denominated in Indian Rupees ("INR"). The Company's reporting currency is the United States dollar. Accordingly, the revenues and expenses of such Indian Investments will be translated at average rates of exchange in effect during the applicable reporting period. Assets and liabilities will be translated at the exchange rates in effect at the balance sheet date. As a result, the Company's consolidated financial position is subject to foreign currency fluctuation risk, which could materially adversely impact its operating results and cash flows. Although the Company may enter into currency hedging arrangements in respect of its foreign currency cash flows, there can be no assurance that the Company will do so or, if they do, that the full amount of the foreign currency exposure will be hedged at any time.

#### *Derivative Risks*

The Company may employ hedging techniques to minimize certain investment risks, such as fluctuations in interest and currency exchange rates, but the Company can offer no assurance that such strategies will be effective. If the Company engages in hedging transactions, it may expose itself to risks associated with such transactions. The Company may utilize instruments such as forward contracts, currency options and interest rate swaps, caps, collars and floors to seek to hedge against fluctuations in the relative values of the Company's portfolio positions from changes in currency exchange rates and market interest rates. Hedging against a decline in the value of the Company's portfolio positions does not eliminate the possibility of fluctuations in the values of such positions or prevent losses if the values of such positions decline. However, such hedging can establish other positions designed to gain from those same developments, thereby offsetting the decline in the value of such portfolio positions. Such hedging transactions may also limit the opportunity for gain if the value of the portfolio positions should increase. Moreover, it may not be possible to hedge against an exchange rate or interest rate

fluctuation that is so generally anticipated that the Company is not able to enter into a hedging transaction at an acceptable price.

The degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions being hedged may vary. Moreover, for a variety of reasons, the Company may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Any such imperfect correlation may prevent the Company from achieving the intended hedge and expose the Company to risk of loss. In addition, it may not be possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non-U.S. currencies. While the Company has no current intention of engaging in any of the hedging transactions described above, it nonetheless reserves the right to do so in the future.

*Unknown Merits and Risks of Future Investments*

Although the Company's officers, directors and the Portfolio Advisor endeavour to evaluate the risks inherent in a particular investment, there can be no assurance that the Company or the Portfolio Advisor will properly ascertain or assess all of the significant risks. Furthermore, some of these risks may be outside of the Company's control and leave the Company with no ability to control or reduce the chances that those risks will adversely impact a target business.

*Opinions From Independent Investment Banks or Accounting Firms Are Not Contemplated*

The Company is not required to obtain an opinion from an independent investment banking or accounting firm that the price the Company is paying for a particular investment is fair to the Company from a financial point of view. If no such opinion is obtained, holders of Subordinate Voting Shares will be relying on the judgment of the Board, its executive officers and the Portfolio Advisor, who will determine fair market value based on standards generally accepted by the financial community. Except as required by law, the Company has no intention of obtaining an opinion from an independent investment banking or accounting firm prior to making each of its investments.

*Resources Could Be Wasted In Researching Investment Opportunities That Are Not Ultimately Completed*

The investigation of each specific investment opportunity that has been recommended by the Portfolio Advisor and the negotiation, drafting and execution of the relevant agreements, disclosure documents and other instruments requires substantial management time and attention and substantial costs for accountants, lawyers and others. In the event that the Company elects not to complete a specific investment, the costs incurred up to that point for the proposed transaction are not likely to be recoverable by the Company. Furthermore, in the event that the Company reaches an agreement relating to a specific investment, it may fail to complete such an investment for any number of reasons, including those beyond the Company's control. Any such occurrence will similarly likely result in a loss to the Company of the related costs incurred for accountants, lawyers and others.

*Investments May Be Made In Foreign Private Businesses Where Information Is Unreliable or Unavailable*

In pursuing the Company's investment strategy, the Company may seek to make one or more investments in privately-held businesses (NCML, Sanmar, NSE and Saurashtra are privately held businesses). As minimal public information exists about private businesses, the Company could be required to make investment decisions on whether to pursue a potential investment in a private business on the basis of limited information, which may result in an investment in a business that is not as profitable as the Company initially suspected, if at all.

Investments in private businesses pose certain incremental risks as compared to investments in public businesses, including that they:

- have reduced access to the capital markets, resulting in diminished capital resources and ability to withstand financial distress;
- may have limited financial resources and may be unable to meet their obligations under their debt securities that the Company may hold, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of the Company realizing any guarantees that it may have obtained in connection with its investment;

- may have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and changing market conditions, as well as general economic downturns;
- are more likely to depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on a portfolio investment and, as a result, the Company; and
- generally have less predictable operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position.

#### *Material, Non-Public Information*

The Company may substantially participate in or influence the conduct, affairs or management of portfolio businesses in which it invests. Directors, officers, employees, designees, associates or affiliates of the Company may, from time to time, serve as directors of, or in a similar capacity with, businesses in which the Company invests. By reason of their responsibilities in connection with these and other activities, certain Company, Portfolio Advisor personnel or advisors may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities. The Company will not be free to act upon any such information. In addition, these individuals may become subject to trading restrictions pursuant to the internal trading policies of such businesses. Due to these restrictions, the Company may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold. Conversely, the Company may not have access to material non-public information in the possession of the Portfolio Advisor which might be relevant to an investment decision to be made by the Company and the Company may initiate a transaction or sell an investment which, if such information had been known to it, may not have been undertaken.

#### *Illiquidity of Investments*

Some of the investments of the Company in India or in Indian businesses or other businesses with customers, suppliers or business primarily conducted in, or dependent on, India, are expected to be in private businesses (NCML, Sanmar, NSE and Saurashtra are privately held businesses) and, in turn, highly illiquid. Accordingly, there can be no assurance that the Company will be able to realize on its investments in a timely manner or at all, which may also make the Company difficult to accurately value. Illiquidity may result from the absence of an established market for the investments as well as legal or contractual restrictions on their resale. In addition, private equity investments by their nature are often difficult and time consuming to liquidate. If the Company is required to liquidate all or a portion of its portfolio investments quickly, it may realize significantly less than the value at which the Company previously recorded such investments.

Furthermore, it is possible that unlisted portfolio businesses in which the Company invests will consider having their securities listed with an Indian or overseas stock exchange, as a means of creating liquidity for its investors. However, there can be no assurance that the listing of these securities will provide a viable exit mechanism, as these securities may experience low trading volumes and a low market capitalization at the time of intended disposal. Also, SEBI regulations generally impose a lock-in period on promoters' holdings in businesses seeking listing through initial public offerings, which would reduce secondary market liquidity. Although the Company would generally endeavour to avoid or minimize such lock-in restrictions on its shareholdings in its portfolio investments, there can be no assurance that it will be able to do so.

#### *Competitive Market for Investment Opportunities*

The Company competes with a large number of other investors focused on India, such as private equity funds, mezzanine funds, investment banks and other equity and non-equity based public and private investment funds, and other sources of financing, including traditional financial services companies, such as commercial banks. Competitors may have a lower cost of funds and may have access to funding sources that are not available to the Company. In addition, certain competitors of the Company may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships and build their respective market shares. There can be no assurance that the competitive pressures faced by the Company will not have a material adverse effect on its activities, financial condition and results of operations. In addition, as a result of this competition, the Company may not be able to take advantage of attractive investment opportunities from time to time and there can be no assurance that it will be able to identify and make investments.

The success of the Company will depend on the availability of appropriate investment opportunities and the ability of the Portfolio Advisor to identify, source and make recommendations in respect of those investments. As noted above, the Company will be competing with private equity funds, as well as mezzanine funds, institutional investors and, potentially, strategic investors, for prospective investments. As a result of this competition, there can be no assurance that the Company will be able to locate suitable additional investment opportunities, acquire such investments on acceptable terms, or achieve an acceptable rate of return.

#### *Use of Leverage*

The Company may rely on the use of leverage when making its investments. As such, the ability to achieve attractive rates of return on such investments will significantly depend on the Company's continued ability to access sources of debt financing on attractive terms. An increase in either market interest rates or in the risk spreads demanded by lenders would make it more expensive for the Company to finance its investments and, in turn, would reduce net returns therein. Increases in interest rates could also make it more difficult for the Company to locate and consummate investments because other potential buyers, including operating companies acting as strategic buyers, may be able to bid for an asset at a higher price due to a lower overall cost of capital. Availability of capital from debt capital markets is subject to significant volatility and the Company may not be able to access those markets on attractive terms, or at all, when completing an investment. Any of the foregoing circumstances could have a material adverse effect on the financial condition and results of operations of the Company.

#### *Investing in Leveraged Businesses*

The Company may invest in highly leveraged businesses which involves a high degree of risk and will increase the exposure of the Company to adverse economic factors, such as downturns in the economy or deteriorations in the condition of the business in which the Company invests or its industry. In the event that any such business in which the Company invests cannot generate adequate cash flow to meet its debt service obligations, the Company may suffer a partial or total loss of capital invested in such business. Such an occurrence may materially adversely affect the Company's return on its investment.

#### *Regulation*

The Company is subject to various laws and regulations governing its business, employment standards, taxes and other matters. It is possible that future changes in applicable federal, provincial or common laws or regulations or changes in their enforcement or regulatory interpretation could result in changes in the legal requirements affecting the Company (including with retroactive effect). Any changes in the laws to which the Company is subject could materially adversely affect the Company's investments and its overall business. It is impossible to predict whether there will be any future changes in the regulatory regimes to which the Company will be subject or the effect of any such change on its investments. Similarly, the businesses in which the Company expects to invest are expected to be principally subject to the laws of India. Any changes to the existing laws of India could have a material adverse effect on the businesses in which the Company invests, which may in turn have a material adverse effect on the Company.

#### ***Risk Factors Related to the Subordinate Voting Shares***

##### *Potential Volatility of Subordinate Voting Share Price*

The market price for Subordinate Voting Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control, including the following: (i) actual or anticipated fluctuations in the Company's quarterly results of operations; (ii) recommendations by securities research analysts; (iii) changes in the economic performance or market valuations of other issuers that investors deem comparable to the Company; (iv) addition or departure of the Company's or the Portfolio Advisor's executive officers and other key personnel; (v) release or expiration of lock-up or other transfer restrictions on outstanding Multiple Voting Shares; (vi) sales or perceived sales of additional Multiple Voting Shares or Subordinate Voting Shares; (vii) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors; and (viii) news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Company's industry or target markets.

Financial markets have experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of public entities and that have, in many cases, been unrelated to the operating performance,

underlying asset values or prospects of such entities. Accordingly, the market price of the Subordinate Voting Shares may decline even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of the Company's environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to satisfy such criteria may result in limited or no investment in the Subordinate Voting Shares by those institutions, which could materially adversely affect the trading price of the Subordinate Voting Shares. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue for a protracted period of time, the Company's operations and the trading price of the Subordinate Voting Shares may be materially adversely effected.

#### *Dilution*

The issuance of additional Multiple Voting Shares or Subordinate Voting Shares may have a dilutive effect on the interests of Shareholders. The number of Multiple Voting Shares and Subordinate Voting Shares that the Company is authorized to issue is unlimited. The Company may, in its sole discretion, issue additional Multiple Voting Shares or Subordinate Voting Shares from time to time (including pursuant to any equity-based compensation plans that may be introduced in the future), and the interests of Shareholders may be diluted thereby.

#### *Market Discount*

The price of the Subordinate Voting Shares fluctuates with market conditions and other factors. If a holder of Subordinate Voting Shares sells its Subordinate Voting Shares, the price received may be more or less than the original investment. The Subordinate Voting Shares may trade at a discount from their book value.

#### *Limited Control*

Holders of Subordinate Voting Shares have limited control over changes in the Company's policies and operations, which increases the uncertainty and risks of an investment in the Company. The Board will determine major policies, including policies regarding financing, growth, debt capitalization and any future dividends to Shareholders. Generally, the Board may amend or revise these and other policies without a vote of the holders of Subordinate Voting Shares. Holders of Subordinate Voting Shares will only have a right to vote, as a class, in the limited circumstances described elsewhere in this annual information form and in the documents incorporated by reference herein. The Board's broad discretion in setting policies and the limited ability of holders of Subordinate Voting Shares to exert control over those policies increases the uncertainty and risks of an investment in the Company.

#### *Financial Reporting and Other Public Company Requirements*

The Company is subject to reporting and other obligations under applicable Canadian securities laws and rules of any stock exchange on which the Subordinate Voting Shares are listed, including National Instrument 52-109 — *Certification of Disclosure in Issuers' Annual and Interim Filings*. These reporting and other obligations will place significant demands on the Company's management, administrative, operational and accounting resources. In order to meet such requirements, the Company has appointed Fairfax, as administrator, pursuant to the Investment Advisory Agreement to, among other things, establish systems, implement financial and management controls, reporting systems and procedures and hire qualified accounting and finance staff. However, if the Company or Fairfax is unable to accomplish any such necessary objectives in a timely and effective manner, the Company's ability to comply with its financial reporting obligations and other rules applicable to reporting issuers could be impaired. Moreover, any failure to maintain effective internal controls could cause the Company to fail to satisfy its reporting obligations or result in material misstatements in its financial statements. If the Company cannot provide reliable financial reports or prevent fraud, its reputation and operating results could be materially adversely effected which could also cause investors to lose confidence in the Company's reported financial information, which could result in a reduction in the trading price of the Subordinate Voting Shares.

The Company does not expect that the Company's disclosure controls and procedures and internal controls over financial reporting will prevent all error or fraud. A control system, no matter how well-designed and implemented, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within an organization are detected. The inherent limitations include the realities that judgments in

decision making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of certain persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a control system, misstatements due to error or fraud may occur and may not be detected in a timely manner or at all.

#### *Limited Voting Rights of the Subordinate Voting Shares*

Holders of Subordinate Voting Shares and Multiple Voting Shares generally have similar rights, except that holders of Subordinate Voting Shares are entitled to one vote per Subordinate Voting Share whereas holders of Multiple Voting Shares are entitled to fifty votes per Multiple Voting Share. The different voting rights of the Subordinate Voting Shares and Multiple Voting Shares could diminish the value of the Subordinate Voting Shares to the extent that investors or any potential future purchasers of Subordinate Voting Shares attribute value to the superior voting or other rights of the Multiple Voting Shares.

#### *Significant Ownership by Fairfax May Adversely Affect the Market Price of the Subordinate Voting Shares*

Fairfax and its affiliates hold a 93.6% and 30.2% voting and equity interest, respectively, in the Company through ownership of all of the 30,000,000 issued and outstanding Multiple Voting Shares and 13,562,864 Subordinate Voting Shares.

For so long as Fairfax, either directly or through one or more subsidiaries, maintains a significant voting interest in the Company, Fairfax will have the ability to exercise substantial influence with respect to the Company's affairs and significantly affect the outcome of shareholder votes, and may have the ability to prevent certain fundamental transactions.

Accordingly, the Subordinate Voting Shares may be less liquid and trade at a relative discount compared to such Subordinate Voting Shares in circumstances where Fairfax did not have the ability to significantly influence or determine matters affecting the Company. Additionally, Fairfax's significant voting interest in the Company may discourage transactions involving a change of control of the Company, including transactions in which an investor, as a holder of Subordinate Voting Shares, might otherwise receive a premium for its Subordinate Voting Shares over the then-current market price.

#### *Investment Company Act*

The Company, were it to publicly offer the Subordinate Voting Shares in the United States, likely would be considered an investment company subject to registration and regulation under the U.S. Investment Company Act of 1940 (the "**Investment Company Act**"). The Company has taken various steps so as to qualify for an exemption from registration pursuant to Section 3(c)(7) of the Investment Company Act. So long as the Company continues to be so exempt, the investor protections under the Investment Company Act will not apply to the Company. If that exemption were not available, the Company could be required to significantly restructure or restrict its activities.

#### *Trading Price of Subordinate Voting Shares Relative to Book Value per Share*

The company is neither a mutual fund nor an investment fund, and due to the nature of its business and investment strategy, and the composition of its investment portfolio, the market price of its Subordinate Voting Shares, at any time, may vary significantly from its book value per share. This risk is separate and distinct from the risk that the market price of the Subordinate Voting Shares may decrease.

#### ***Risk Factors Related to Investments in India***

##### *Investment and Repatriation Restrictions*

Foreign investment in the securities of Indian businesses is restricted or controlled to varying degrees. These restrictions or controls may limit or preclude foreign investment in certain sectors and increase the costs and expenses of the Company. Although these restrictions have been progressively eased in favour of permitting and attracting foreign investments, there can be no guarantee that this policy of liberalization will continue. Reversals in such policy decisions could be retrospective and therefore affect realization of value from existing investments and could impact the Company's ability to enforce negotiated rights.

In order for the Company to acquire Indian-listed securities on stock exchanges in India or acquire Indian debt securities, the Company or one of its subsidiaries will be required to be registered as a FPI in India under the FPI Regulations. The Company has made and intends to make further of its investments in India pursuant to a FPI registration granted by SEBI to FIH Private, which registration has been obtained by FIH Private. Under the FPI Regulations, a FPI's individual holding must be below 10% of the total paid up share capital of an Indian-listed company. The total FPI holding must be below 24% of the total paid up share capital of such business (or such higher percentage approved by the business subject to the sectoral cap). To the extent that the maximum FPI limits have been reached in that business, further investment by a FPI would not be permitted. Therefore, under the FPI registration, FIH Private may be limited in the amount that it may invest in a particular business, and investment opportunities in certain issuers or industries may be restricted or prohibited altogether.

Following receipt of the necessary registrations, it is also possible that the licence granted to FIH Private may be revoked or suspended. If registration as a FPI is not granted or continued at any time, FIH Private and the Company would not be permitted to acquire Indian-listed securities on stock exchanges in India or several types of debt securities of Indian businesses. FIH Mauritius may, in such a situation, make certain investments as a FDI investor, subject to the provisions of the Government of India's foreign direct investment policy and regulations, however in such case the Company, together with its subsidiaries, would not be permitted to acquire securities through the facilities of a recognized stock exchange in India (which means that it will become less attractive, from a taxation perspective, for existing Indian shareholders to sell shares to the Company).

The ability of the Company to invest in certain businesses may be restricted, and there can be no assurance that additional restrictions on investments permissible for a FPI will not be imposed in the future or that the FPI Regulations will not be amended, clarified, interpreted by judicial or administrative ruling or superseded in the future in such a way that may adversely affect the Company. Accordingly, the revocation or suspension of such FPI registration may result in a material adverse effect on the Company's business, operations and financial results.

The ability to invest in Indian securities, exchange INR into United States dollars and repatriate investment income, capital and proceeds of sales realized from its investments in Indian securities is subject to the (Indian) Foreign Exchange Management Act, 1999 ("FEMA") and the rules, regulations and notifications issued thereunder, and the Government of India foreign investment policy and regulations. Under certain circumstances, such as a change in law or regulation or loss of FPI authorization, governmental registration or approval for the repatriation of investment income, capital or the proceeds of sales of securities by foreign investors may be required. In addition, if there is a deterioration in India's balance of payments or for other reasons, India may impose temporary restrictions on foreign capital remittances abroad. The Company could be adversely affected by delays in, or a refusal to grant, any required governmental approval for repatriation of capital, as well as by the application to the Company of any restrictions on investments. The Company will be subject to withholding and capital gains taxes, as applicable.

The Company and FIH Mauritius intend to make investments in equity securities of listed and unlisted Indian companies as FDIs. While there are no shareholding caps on a FDI investor, there are sectoral limits, minimum lock-in of investments, minimum capitalization requirements, pricing guidelines and reporting requirements. Further, FDI investors are not permitted to invest in debt instruments, other than foreign currency convertible bonds, which will be subject to all-in-cost ceilings, restrictions on eligible borrowers, restrictions on recognized lenders, minimum maturity requirements and restrictions on end-uses of the debt proceeds. A FDI investor is also not permitted to acquire shares on a recognized stock exchange in India, except in certain limited circumstances.

#### *Aggregation Restrictions*

Under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, Fairfax and its affiliates would be deemed to be PACs with the Company. Although the deeming provision is a rebuttable presumption based on facts, if it is determined in accordance with Indian law that Fairfax and its affiliates are PACs with the Company or its subsidiaries, and their aggregate holding exceeds 25% or more of a listed Indian company, the Company may be required to make an open offer for all of the issued and outstanding securities of the Indian company. Consequently, any listed Indian Investments acquired by Fairfax or its affiliates may reduce the permissible quantum that the Company will be permitted to acquire in respect of the same Indian Investment without triggering open offer requirements.

In addition, Fairfax and certain of its affiliates have, or are in the process of obtaining, or may obtain in the future, FPI registrations. If it is determined in accordance with Indian law that FIH Private, on the one hand, and Fairfax and its affiliates, on the other hand, have more than a 50% direct or indirect common shareholding, beneficial ownership or

beneficial interest, then equity investments made by Fairfax and its affiliates and FIH Private in Indian listed companies will be aggregated for purposes of calculating the permissible quantum of investment (e.g., less than 10% of such portfolio business' shareholding) by each of FIH Private and Fairfax and its affiliates, to ensure compliance with the FPI Regulations. Consequently, any Indian Investments acquired by Fairfax or its affiliates who are registered as FPIs, may reduce the permissible quantum that FIH Private will be permitted to acquire in respect of the same Indian Investment on the facilities of a stock exchange in India, such that the percentage held by FIH Private, Fairfax and its affiliates equals, in the aggregate, less than 10% of such portfolio business' share capital.

#### *Restrictions Relating to Debt Securities*

The Indian corporate bond market is still in its nascent stages of development and does not have the same liquidity as developed bond markets. Investments in debt securities are subject to certain restrictions imposed from time to time by the SEBI and the RBI (for instance, aggregate investments by all FPIs as a whole in Indian government securities is capped at US\$25 billion). Stamp duty payable on the transfer of corporate bonds held in physical form is higher in comparison to international standards and is not uniform across all states in India. Investment in Indian corporate bonds could be considered risky as the legal framework for recovering the investment is lengthy and enforcement of contracts could be time consuming and expensive.

#### *Pricing Guidelines*

Pursuant to the rules and regulations of the RBI under FEMA and the regulations issued thereunder, foreign direct investment in Indian businesses is subject to certain minimum valuation and pricing guidelines. Such minimum valuation and pricing guidelines may restrict the ability of the Company to make investments in Indian businesses at attractive prices. The RBI has also prescribed certain maximum valuation and pricing guidelines for persons and corporations resident outside of India that sell shares of Indian businesses to resident Indian persons and corporations. Such maximum valuation and pricing guidelines may restrict the ability of the Company to sell its investments in Indian businesses at a higher valuation than may be available in the absence of the aforesaid restrictions prescribed by the RBI.

#### *Emerging Markets*

The Company's investment objective is to achieve long term capital appreciation, while preserving capital, by investing in Indian Investments. Foreign investment risk is particularly high given that the Company invests in securities of issuers based in or doing business in an emerging market country.

The economies of emerging market countries have been and may continue to be adversely affected by economic conditions in the countries with which they trade. The economies of emerging market countries may also be predominantly based on only a few industries or dependent on revenues from particular commodities. In addition, custodial services and other investment-related costs may be more expensive in emerging markets than in many developed markets, which could reduce the Company's income from securities or debt instruments of emerging market country issuers.

There is a heightened possibility of imposition of withholding taxes on interest or dividend income generated from emerging market securities. Governments of emerging market countries may engage in confiscatory taxation or expropriation of income and/or assets to raise revenues or to pursue a domestic political agenda. In the past, emerging market countries have nationalized assets, companies and even entire sectors, including the assets of foreign investors, with inadequate or no compensation to the prior owners. There can be no assurance that the Company will not suffer a loss of any or all of its investments or, interest or dividends thereon, due to adverse fiscal or other policy changes in emerging market countries.

Governments of many emerging market countries have exercised and continue to exercise substantial influence over many aspects of the private sector. In some cases, the government owns or controls many companies, including some of the largest in the country. Accordingly, government actions could have a significant effect on economic conditions in an emerging country and on market conditions, prices and yields of securities in the Company's portfolio.

Bankruptcy law and creditor reorganization processes may differ substantially from those in Canada and the United States, resulting in greater uncertainty as to the rights of creditors, the enforceability of such rights, reorganization timing and the classification, seniority and treatment of claims. In certain emerging market countries, although bankruptcy laws have been enacted, the process for reorganization remains highly uncertain. In addition, it may be impossible to seek legal redress against an issuer that is a sovereign state.

Also, because publicly traded debt instruments of emerging market issuers represent a relatively recent innovation in the world debt markets, there is little historical data or related market experience concerning the attributes of such instruments under all economic, market and political conditions.

Other heightened risks associated with emerging markets investments include without limitation: (i) risks due to less social, political and economic stability, including the risk of war, terrorism, nationalization, limitations on the removal of funds or other assets, or diplomatic developments that affect investments in these countries; (ii) the smaller size of the market for such securities and a lower volume of trading, resulting in a lack of liquidity and in price volatility; (iii) certain national policies which may restrict the Company's investment opportunities, including restrictions on investing in issuers or industries deemed sensitive to relevant national interests and requirements that government approval be obtained prior to investment by foreign persons; (iv) certain national policies that may restrict the Company's repatriation of investment income, capital or the proceeds of sales of securities, including temporary restrictions on foreign capital remittances; (v) the lack of uniform accounting and auditing standards and/or standards that may be significantly different from the standards required in Canada; (vi) less publicly available financial and other information regarding issuers; (vii) potential difficulties in enforcing contractual obligations; and (viii) higher rates of inflation, higher interest rates and other economic concerns. The Company may invest to a substantial extent in emerging market securities that are denominated in INR, subjecting the Company to a greater degree of foreign currency risk. Also, investing in emerging market countries may entail purchases of securities of issuers that are insolvent, bankrupt or otherwise of questionable ability to satisfy their payment obligations as they become due, subjecting the Company to a greater amount of credit risk and/or high yield risk.

As reflected in the above discussion, investments in emerging market securities involve a greater degree of risk than, and special risks in addition to the risks associated with, investments in domestic securities or in securities of foreign developed countries.

#### *Corporate Disclosure, Governance and Regulatory Requirements*

In addition to their smaller size, reduced liquidity and greater volatility, Indian securities markets are less developed than Canadian securities markets and may differ in fundamental ways. Disclosure and regulatory standards are in many respects less stringent than Canadian standards. Issuers in India are subject to accounting, auditing and financial standards and requirements that differ, in some cases significantly, from those applicable to Canadian reporting issuers. In particular, the assets and profits appearing on the financial statements of an Indian issuer may not reflect its financial position or results of operations in the way they would be reflected had such financial statements been prepared in accordance with Canadian generally accepted accounting principles. Accordingly, information available to the Company, including both general economic and commercial information concerning specific enterprises or assets, may be less reliable and less detailed than information available in Canada or the United States.

There is less regulation and monitoring of Indian securities markets and the activities of investors, brokers and other participants than in Canada. Moreover, issuers of securities in India are not subject to the same degree of regulation as are Canadian reporting issuers with respect to such matters as insider trading rules, tender offer regulation, shareholder proxy requirements and the timely disclosure of information. There is also generally less publicly available information about Indian issuers than Canadian reporting issuers.

#### *Legal and Regulatory Risks*

Legal, tax and regulatory changes in the Indian investment environment could have a material adverse effect on the Company and the Indian Investments.

Many of the laws that govern private and foreign investment, equity securities transactions and other contractual relationships in India are untested. As a result, the Company may be subject to a number of risks, including: inadequate investor protection; contradictory legislation; incomplete, unclear and changing laws; ignorance or breaches of regulations on the part of other market participants; lack of established or effective avenues for legal redress; lack of standard practices; confidentiality customs characteristic of developed markets; and lack of enforcement of existing regulations. There can be no assurance that this difficulty in protecting and enforcing rights will not have a material adverse effect on the Company and its operations. Existing regulatory controls and corporate governance of businesses in India occasionally confer fewer protections for minority shareholders. The concept of fiduciary duty to investors by officers and directors in some Indian companies is also limited when compared to such concepts in western markets. In certain instances, the Company may take significant actions without the consent of investors and anti-dilution protection may also be limited.

Further, it is possible that there will be tax and regulatory changes in the Indian investment environment that may have a material adverse impact on the Company and the Indian Investments.

#### *Volatility of the Indian Securities Markets*

Stock exchanges in India have, in the past, experienced substantial fluctuations in the prices of listed securities. The stock exchanges in India have also experienced temporary exchange closures, broker defaults, settlement delays and strikes by brokerage firm employees. In addition, the governing bodies of the stock exchanges in India have, from time to time, imposed restrictions on trading in certain securities, limitations on price movements and margin requirements. Furthermore, from time to time, disputes have occurred between listed businesses and stock exchanges and other regulatory bodies, which in some cases may have had a negative effect on market sentiment.

#### *Political, Economic, Social and Other Factors*

The value of the Company's assets may be adversely affected by political, economic, social and other factors, changes in Indian law or regulations and the status of India's relations with other countries. In addition, the economy of India may differ favourably or unfavourably from the Canadian economy in such respects as the rate of GDP growth, the rate of inflation, capital reinvestment, resource self-sufficiency and balance of payments position. Agriculture occupies a prominent position in the Indian economy and the Indian economy therefore is more susceptible to adverse changes in weather. The Indian government has exercised and continues to exercise significant influence over many aspects of the economy, and the number of public sector enterprises in India is substantial. Accordingly, Indian government actions in the future could have a significant effect on the Indian economy, which could affect market conditions, and prices and yields of the Company's investments. Further, certain developments (such as the possibility of nationalization, expropriation or punitive taxation) could adversely affect the value of the Indian Investments.

Since mid-1991, the Indian government has committed itself to implementing an economic structural reform program with the goal of liberalizing India's exchange and trade policies, reducing the fiscal deficit, controlling inflation, promoting a sound monetary policy, reforming the financial sector and relying more heavily on market mechanisms to direct economic activity. A significant component of the program is the promotion of foreign investment in key areas of the economy and the further development of, and the relaxation of restrictions in, the private sector. These policies have been coupled with a plan to redirect the government's central planning function away from the allocation of resources and closer to the issuance of indicative guidelines. While the government's policies have resulted in improved economic performance, there can be no assurance that the economic recovery will be sustained. Moreover, there can be no assurance that these economic reforms will persist. Uncertainties with respect to potential changes in Indian economic policies, in light of a new government, may cause significant volatility in the value of Indian businesses.

The Indian population is comprised of diverse religious, linguistic and ethnic groups and religious and border disputes continue to be a problem in India. In recent years, there have been incidents of communal violence between Hindus and Muslims. Moreover, India has, from time to time, experienced civil unrest and hostility with neighbouring countries such as Pakistan. If the Indian government is unable to control the violence and disruption associated with these tensions, the results could have a negative effect on India's economy and, consequently, materially adversely affect the Company's investments. Additionally, since early 2003, there have been military hostilities and civil unrest in Afghanistan, Iraq, Syria, Lebanon and other Asian countries. These events could adversely influence the Indian economy and, as a result, materially adversely affect the Company's investments.

#### *Governance Issues Risk*

Recent instances of governance issues in India have the potential to discourage investors and derail the growth prospects of the Indian economy. Governance issues create economic and regulatory uncertainty and could have an adverse effect on the returns on investment.

#### *Indian Tax Law*

There is a risk that upon application of Indian tax law, including the imposition of tax on income and gains of the Company, certain holders of Subordinate Voting Shares may not receive a full foreign tax credit. Holders of Subordinate Voting Shares who are unable to fully utilize foreign tax credits designated to them will indirectly bear a portion of such Indian tax liabilities.

Further, gains arising on transfer of shares of the Company could be taxable in India under the ITA if the shares of the Company derive, directly or indirectly, their value substantially from assets located in India. This will be subject, however, to (i) certain specific exemptions for small Shareholders and tax neutral mergers and demergers, and (ii) to benefits available, if any, under an applicable Avoidance of Double Taxation and the Prevention of Fiscal Evasion (“DTAA”).

#### *Changes in Law*

The Republic of Mauritius legal framework under which FIH Mauritius and FIH Private invest in India may undergo changes in the future, which could impose additional costs or burdens on the Company’s operations. Future changes to Mauritian or Indian law, or the Indo-Mauritius DTAA, or the interpretations given to them by regulatory authorities, could impose additional costs or obligations on FIH Mauritius’ and FIH Private’s activities in Mauritius or India. Significant adverse tax consequences could result if FIH Mauritius or FIH Private does not qualify for benefits under the Indo-Mauritius DTAA. There can be no assurance that FIH Mauritius and FIH Private will continue to qualify for or receive the benefits of the Indo-Mauritius DTAA or that the terms of the Indo-Mauritius DTAA will not be modified. It is possible that provisions of the Indo-Mauritius DTAA will be overridden by Indian legislation in a way that materially adversely affects the Company, FIH Mauritius and FIH Private. Further, there can be no assurance that changes in the law or government policies of Mauritius that may limit or eliminate a non-Mauritian investor’s ability to make investments into India via Mauritius will not occur.

Recent amendments to the Indo-Mauritius DTAA will result in capital gains derived from FIH Mauritius’ or FIH Private’s investments in India becoming subject to capital gains tax in India, which could have a material adverse effect on the Company’s business and financial conditions and results of operations.

#### *GAAR*

Under the General Anti-Avoidance Rule (“GAAR”) which will come into force effective April 1, 2017, the Indian tax authorities have been given the power to re-characterize or disregard any arrangement which qualifies as an ‘impermissible avoidance arrangement’ (“IAA”). IAA means an arrangement whose main purpose is to obtain a ‘tax benefit’ (e.g., a reduction or avoidance of tax that would be payable under the ITA), and, among other things, such arrangement ‘lacks’ or is ‘deemed to lack’ commercial substance in whole or in part. Further, where GAAR is invoked, the taxpayer would not have the option of being governed by the relevant DTAA provisions. GAAR would apply on income arising on or after April 2017. However, GAAR would not apply to: (i) arrangements where tax benefits in a relevant tax year, in aggregate, to all the parties involved does not exceed INR 30 million; (ii) any income or gains on transfer, accruing, arising or deemed to accrue or arise to any person from investments made prior to March 31, 2017; (iii) FPIs who are assessed under the ITA and, who do not avail itself of the benefits under the applicable DTAA and have invested in listed or unlisted securities in accordance with the SEBI (Foreign Institutional Investors) Regulations, 1995 and/or any other applicable regulations; and (iv) non-residents in relation to investments made by such non-resident by way of offshore derivative instruments or otherwise, directly or indirectly, in a foreign institutional investor. If any arrangement is determined by the Indian tax authorities to be an IAA, any benefits from a tax perspective available under the ITA read with the DTAA with respect to such arrangement would be eliminated, which would have a material adverse effect on the Company’s business and financial conditions and results of operations.

#### *Exposure to Permanent Establishment, etc.*

While the Company believes that the activities of the Company and its subsidiaries do not and will not create a permanent establishment for the Company in India, there may be a risk that the Indian tax authorities nonetheless assert that these activities result in such a permanent establishment. If for any reason any of the above activities are held to create such a permanent establishment, the profits of the Company and/or its subsidiaries, as the case may be, to the extent attributable to the permanent establishment, could be subject to tax in India.

#### *Enforcement of Rights*

The Company’s assets may be held in accounts by custodians, or pledged to creditors of the Company as per applicable law, in jurisdictions outside of Canada. Accordingly, there can be no assurance that judgments obtained in Canadian courts will be enforceable in any of those jurisdictions. It is possible that events such as the expropriation, confiscatory taxation or nationalization of foreign bank deposits or other assets may occur, which may result in the Company being unable to enforce its legal rights or protect its investments.

Legal principles relating to corporate affairs and the validity of corporate procedures, directors' fiduciary duties and liabilities and shareholders' rights may differ from those that may apply in other jurisdictions. Shareholders' rights under Indian law may not be as extensive as those that exist under the laws of Canada. The Company may therefore have more difficulty asserting its rights as a shareholder of an Indian company in which it invests than it would as a shareholder of a comparable Canadian company. Further, the (Indian) Companies Act, 2013, which recently replaced in its entirety the (Indian) Companies Act, 1956, contains certain additional compliance requirements coupled with interpretational challenges that could impact the Company's rights as a corporation. Provisions of Indian law relating to the enforcement of foreign judgments and arbitral awards provide for broad exceptions. In addition, approval from the RBI is required to repatriate certain amounts outside of India, such as indemnity payments by Indian companies or resident individuals.

#### *Smaller Company Risk*

The Company may invest in less seasoned and smaller and mid-capitalization Indian businesses. Investments in such businesses may present greater opportunities for growth, but also involve greater risks than are customarily associated with investments in more established and larger capitalized businesses. It is more difficult to obtain information about less seasoned and smaller capitalization businesses as they tend to be less well-known and have shorter operating histories and because they tend not to have significant ownership by large investors or be followed by many securities analysts. Investments in larger and more established businesses present certain advantages in that such businesses generally have greater financial resources, more extensive research and development, manufacturing, marketing and service capabilities, more stability and greater depth of management and technical personnel.

#### *Due Diligence and Conduct of Potential Investment Entities*

Before making investments, the Portfolio Advisor and the Company typically conduct due diligence that they deem reasonable and appropriate based on the facts and circumstances applicable to each investment. Due diligence may entail evaluation of important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants, investment banks and other third parties may be involved in the due diligence process to varying degrees depending on the type of investment. Such involvement of third party advisers or consultants may present a number of risks primarily relating to the Company's or the Portfolio Advisor's reduced control of the functions that are outsourced. In addition, if the Company or the Portfolio Advisor are unable to timely engage third-party providers, their ability to evaluate and acquire more complex targets could be adversely affected. When conducting due diligence and making an assessment regarding an investment, the Company or the Portfolio Advisor will rely on the resources available to it, including publicly available information, information provided by the target of the investment and, in some circumstances, third-party investigations. The due diligence investigation that the Company or the Portfolio Advisor carries out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in the investment being successful. There can be no assurance that attempts to provide downside protection with respect to investments will achieve their desired effect and potential investors should regard an investment in the Company as being speculative and having a high degree of risk.

In addition, when assessing an investment opportunity for the Company, investment analyses and decisions by the Company or the Portfolio Advisor may be undertaken on an expedited basis in order to take advantage of what it perceives to be short-lived investment opportunities. In such cases, the available information at the time of an investment may be limited, inaccurate or incomplete.

There can be no assurance that the Company or the Portfolio Advisor will be able to detect or prevent irregular accounting, employee misconduct or other fraudulent practices during the due diligence phase or during its efforts to monitor the investment on an ongoing basis. In the event of fraud by any portfolio business or any of its affiliates, the Company may suffer a partial or total loss of capital invested in that business. An additional concern is the possibility of material misrepresentation or omission on the part of the portfolio business or the seller. Such inaccuracy or incompleteness may adversely affect the value of the Company's securities and/or instruments in such business. The Company and the Portfolio Advisor will rely upon the accuracy and completeness of representations made by the portfolio business and/or their former owners in the due diligence process to the extent reasonable when it makes its investments, but cannot guarantee such accuracy or completeness. As a result, there can be no assurance that the due diligence investigations carried out by the Portfolio Advisor or the Company will reveal or highlight all relevant facts that may be necessary or helpful in evaluating investment opportunities. Any failure to identify relevant facts may result in inappropriate investment decisions, which may have a material adverse effect on the value of any investment in the Company. Under certain circumstances, payments to the Company may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

### *Asian Economic Risk*

Certain Asian economies have experienced over-extension of credit, currency devaluations and restrictions, high unemployment, high inflation, decreased exports and economic recessions. Economic events in any one country can have a significant economic effect on the entire Asian region and any adverse events in the Asian markets may have a significant adverse effect on Indian businesses and, in turn, the Company.

### *Reliance on Trading Partners*

The Indian economy is dependent on commodity prices and the economies of Asia (mainly Japan and China) and the United States as key trading partners. Reduction in spending on Indian products and services by any of these trading partners or a slowdown or recession in any of these economies could materially adversely affect the Indian economy and, in turn, the Company.

### *Natural Disaster Risks*

The occurrence of natural disasters, including hurricanes, earthquakes, tornadoes, fires, explosions and pandemic diseases, could adversely affect returns from Indian Investments and, in turn, the Company.

### *Sovereign Debt Risk*

The government of India has experienced chronic structural public sector deficits. High amounts of debt and public spending may stifle Indian economic growth, cause prolonged periods of recession, or lower India's sovereign debt rating.

### *Economic Risk*

The Indian economy has grown rapidly during the past several years and there is no assurance that this growth rate will be maintained. India may experience substantial (and, in some cases, extremely high) rates of inflation or economic recessions causing a negative effect on the Indian economy. India may also impose restrictions on the exchange or export of currency, institute adverse currency exchange rates or experience a lack of available currency hedging instruments. Any of these events could have a material adverse effect on the Indian economy.

### *Weather Risk*

Certain Indian Investments (such as NCML and Fairchem) are operating in industries exposed to weather risk. The revenue of these portfolio companies may be adversely affected during a period of severe weather conditions in India. Because weather events are by their nature unpredictable, historical results of operations of certain Indian Investments may not be indicative of its future results of operations. As a result of the occurrence of one or more major weather catastrophe in any given period, the expected returns from Indian Investments impacted by weather risk may fall short of the company's expectations.

### *A Significant Increase in the Price of Crude Oil could Adversely Affect the Indian Economy, which could Adversely Affect Indian Investments*

India imports a majority of its requirements of petroleum oil and petroleum products. The government of India has deregulated prices and has been reducing the subsidy in respect of certain oil products, resulting in international crude prices having a greater effect on domestic oil prices. While global oil prices continued to be relatively subdued, any increase or volatility in oil prices, as well as the impact of Indian rupee depreciation, which makes imports more expensive, and the pass-through of such increases to Indian consumers could have a material adverse impact on the Indian economy, including a rise in inflation and market interest rates resulting in a significant impact on the profitability of certain Indian Investments.

## **DIVIDEND POLICY**

The Company has not declared or paid any dividends since its incorporation and does not currently anticipate paying any dividends in the foreseeable future. The Company currently intends to use its future earnings and other cash resources for the operation and development of its business, but may declare and pay dividends in the future as the Board may determine. Any future determination to pay dividends on the Multiple Voting Shares and the Subordinate Voting Shares will be at the sole discretion of the Board and will depend on, among other things, the Company's earnings, investment opportunities in

India, financial requirements for the Company's operations, the satisfaction of solvency tests imposed by applicable laws and regulations, corporate law requirements and other factors that the Board may deem relevant.

## **DESCRIPTION OF SHARE CAPITAL**

The following briefly summarizes the provisions of the Company's articles of incorporation, including a description of the Company's share capital. The following description may not be complete and is subject to, and qualified in its entirety by reference to, the terms and provisions of the Company's articles of incorporation. As at the date of this annual information form, there were 30,000,000 Multiple Voting Shares, 117,434,531 Subordinate Voting Shares and no preference shares issued and outstanding.

### ***Authorized Share Capital***

The Company's authorized share capital consists of (i) an unlimited number of Multiple Voting Shares that may only be issued to Fairfax or its affiliates, (ii) an unlimited number of Subordinate Voting Shares and (iii) an unlimited number of preference shares, issuable in series. Except as required by law or as provided for in any special rights or restrictions attaching to any series of preference shares issued from time to time, the preference shares will not be entitled to receive notice of, attend or vote at any meeting of the Shareholders of the Company.

### ***Multiple Voting Shares and Subordinate Voting Shares***

#### ***Dividend Rights***

Holders of Multiple Voting Shares and Subordinate Voting Shares are entitled to receive dividends out of the assets of the Company legally available for the payment of dividends at such times and in such amount and form as the Board may from time to time determine and the Company will pay dividends thereon on a *pari passu* basis, if, as and when declared by the Board. The Company has not declared or paid any dividends since its incorporation and does not currently anticipate paying any dividends for the foreseeable future.

#### ***Voting Rights***

The Multiple Voting Shares are entitled to 50 votes per Multiple Voting Share, and the Subordinate Voting Shares are entitled to one vote per Subordinate Voting Share. The outstanding Subordinate Voting Shares currently represent 6.63% of the total votes attached to all classes of the Company's outstanding shares.

The following matters require the approval by  $66\frac{2}{3}\%$  of the votes attached to the Multiple Voting Shares and the Subordinate Voting Shares, each voting separately as a class, at a duly convened meeting of holders of Multiple Voting Shares and Subordinate Voting Shares:

1. An amendment to the Company's articles of incorporation or by-laws to:
  - (i) increase or decrease any maximum number of authorized shares of the Multiple Voting Shares or the Subordinate Voting Shares, or increase any maximum number of authorized shares of a class having rights or privileges equal or superior to the Multiple Voting Shares or the Subordinate Voting Shares, except for the issuance of preference shares;
  - (ii) effect an exchange, reclassification or cancellation of all or part of the Multiple Voting Shares or Subordinate Voting Shares;
  - (iii) add, change or remove the rights, privileges, restrictions or conditions attached to the Multiple Voting Shares or Subordinate Voting Shares, including:
    - (a) remove or change prejudicially rights to accrued dividends or rights to cumulative dividends,
    - (b) add, remove or prejudicially change redemption rights,
    - (c) reduce or remove a dividend preference or a liquidation preference, or

- (d) add, remove or change prejudicially conversion privileges, options, voting, transfer or pre-emptive rights, or rights to acquire securities of a corporation, or sinking fund provisions;
  - (iv) increase the rights or privileges of any class of shares having rights or privileges equal or superior to the Multiple Voting Shares or the Subordinate Voting Shares;
  - (v) create a new class of shares equal or superior to the Multiple Voting Shares or Subordinate Voting Shares, except for the issuance of preference shares;
  - (vi) make any class of shares having rights or privileges inferior to the Multiple Voting Shares or Subordinate Voting Shares equal or superior to the shares of either the Multiple Voting Shares or Subordinate Voting Shares;
  - (vii) effect an exchange or create a right of exchange of all or part of the shares of another class into the shares of a class; or
  - (viii) constrain the issue, transfer or ownership of the shares of a class or change or remove such constraint;
2. Any change to the Company's investment objective or investment restrictions;
  3. A transfer by Fairfax or the Portfolio Advisor of the Investment Advisory Agreement to a non-affiliate of Fairfax; or
  4. A change to the basis of the calculation of a fee that is charged to the Company by the Portfolio Advisor or Fairfax in a way that could result in an increase in charges to the Company.

The Company has included in its by-laws express provisions setting forth: (i) its investment objective (including the Investment Concentration Restriction and Minimum Investment Requirement); (ii) the requirement for one or more custodians to hold its assets, where each such custodian must be an entity that would be qualified to act as a custodian or sub-custodian for assets held in Canada or a custodian or sub-custodian for assets held outside Canada, as the case may be, in each case in accordance with Part 6 of NI 81-102; and (iii) the requirement for the Company to utilize at least one portfolio manager that is registered as a portfolio manager in a province or territory of Canada (collectively the “**Mandatory By-Law Provisions**”). Any amendments to the Mandatory By-Law Provisions will require the approval of both the holders of the Multiple Voting Shares and the Subordinate Voting Shares, each voting separately as a class. Each such approval shall be evidenced by an “ordinary resolution”, as such term is defined under the CBCA, except for amendments to the Company's investment objective which approval shall be evidenced by a “special resolution”, as such term is defined under the CBCA.

Notwithstanding the foregoing, a Multiple Voting Share will convert, without any further action on the part of the Company or the holder of such shares, automatically into a Subordinate Voting Share on a one-for-one basis in the event that: (i) such Multiple Voting Share is transferred to, or held by, a non-affiliate of Fairfax (including by virtue of a change of control of the applicable Fairfax entity that holds such Multiple Voting Share where Fairfax no longer beneficially owns, directly or indirectly, a majority of the votes attached to such entity's shares entitled to vote for the election of such entity's board of directors, but excluding any assignment or other transfer for purposes of providing security); (ii) such Multiple Voting Share is subject an Equity Monetization Arrangement; (iii) if Fairfax or its affiliates sell any Multiple Voting Shares and, as a result of such sale, Fairfax and its affiliates beneficially own, directly or indirectly, Multiple Voting Shares having an aggregate market value of less than US\$150 million such market value to be determined by utilizing the 20-day volume weighted average trading price of the Subordinate Voting Shares on any stock exchange on which the Subordinate Voting Shares then trade as of the trading day prior to the sale by Fairfax or its affiliates (where the market value of a Subordinate Voting Share shall be deemed to be equal to the market value of a Multiple Voting Share for the purposes of such market value calculation); (iv) the Portfolio Advisor ceases to act as a portfolio advisor to the Company, FIH Mauritius or FIH Private for any reason and the obligation to act as a portfolio advisor is not assumed by an affiliate of Fairfax that is duly registered as an advisor in the category of portfolio manager in a province or territory of Canada in accordance with the Company's by-laws; unless (a) the Portfolio Advisor ceases to so act as a result of employees of the Company, FIH Mauritius or FIH Private, as applicable, assuming the obligation to provide such portfolio advisory services, subject to compliance with applicable law or (b) the holders of the Subordinate Voting Shares, by special resolution, determine that the Multiple Voting Shares should not convert to Subordinate Voting Shares as a result thereof; (v) the assignment by the Portfolio Advisor or

Fairfax of the Investment Advisory Agreement to a non-affiliate of Fairfax; (vi) a change of control occurs in respect of the Portfolio Advisor such that Fairfax no longer beneficially owns, directly or indirectly, a majority of the votes attached to the Portfolio Advisor's shares entitled to vote for the election of the Portfolio Advisor's board of directors or (vii) Fairfax approves any plan or proposal for the liquidation or dissolution of the Portfolio Advisor unless the Investment Advisory Agreement has been transferred by the Portfolio Advisor to an affiliate of Fairfax or the obligation to provide portfolio advisory services performed by the Portfolio Advisor have been assumed by employees of the Company, FIH Mauritius or FIH Private, as applicable, subject to compliance with applicable law.

Holders of Multiple Voting Shares and Subordinate Voting Shares are entitled to receive notice of any meeting of Shareholders and may attend and vote at such meetings, except those meetings where only the holders of shares of another class or of a particular series are entitled to vote. A quorum for the transaction of business at a meeting of shareholders shall be two persons present and each entitled to vote at the meeting who, together, hold or represent by proxy not less than 15% of the votes attaching to the outstanding voting shares of the Company entitled to vote at the meeting.

#### *Pre-emptive, Subscription, Redemption and Conversion Rights*

Other than as described under "Principal Shareholder", holders of Multiple Voting Shares and Subordinate Voting Shares will have no pre-emptive or subscription rights. Holders of Subordinate Voting Shares will have no redemption or conversion rights. Multiple Voting Shares, however, are convertible at any time at the option of the holder into fully-paid, non-assessable Subordinate Voting Shares on a one-for-one basis. In accordance with the Company's articles of incorporation, Multiple Voting Shares may only be issued to Fairfax or its affiliates.

#### *Liquidation Rights*

Upon the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, the holders of Multiple Voting Shares and Subordinate Voting Shares, without preference or distinction, are entitled to receive rateably all of the Company's assets remaining after payment of all debts and other liabilities, subject to the prior rights of the holders of any other prior ranking shares that may be outstanding at such time.

#### *Modifications*

Modifications to the provisions attaching to the Multiple Voting Shares as a class, or to the Subordinate Voting Shares as a class, require the separate affirmative vote of at least two-thirds of the votes cast at a meeting of the holders of the shares of each such class.

No subdivision or consolidation of the Multiple Voting Shares or Subordinate Voting Shares may occur unless the shares of both classes are concurrently subdivided or consolidated and in the same manner and proportion.

Other than as described in this annual information form, no new rights to acquire additional shares or other securities or property of the Company will be issued to holders of Multiple Voting Shares or Subordinate Voting Shares unless the same rights are concurrently issued to the holders of shares of both classes.

#### *Nomination of Directors*

The Company has included certain advance notice provisions in its by-laws (the "**Advance Notice Provisions**"). The Advance Notice Provisions are intended to: (i) facilitate orderly and efficient annual general or, where the need arises, special meetings; (ii) ensure that all shareholders receive adequate notice of Board nominations and sufficient information with respect to all nominees; and (iii) allow shareholders to register an informed vote. Only persons who are nominated by shareholders in accordance with the Advance Notice Provisions are eligible for election as Directors. Nominations of persons for election to the Board may be made for any annual meeting of shareholders, or for any special meeting of shareholders if one of the purposes for which the special meeting was called was the election of Directors: (a) by or at the direction of the Directors, including pursuant to a notice of meeting; (b) by or at the direction or request of one or more shareholders pursuant to a requisition of the shareholders made in accordance with applicable law; or (c) by any person (a "**Nominating Shareholder**"): (A) who, at the close of business on the date of the giving of the notice provided for below and on the record date for notice of such meeting, is entered in the Company's register as a holder of one or more shares carrying the right to vote at such meeting or who beneficially owns shares that are entitled to be voted at such meeting; and (B) who complies with the notice procedures set forth in the Advance Notice Provisions.

In addition to any other applicable requirements, for a nomination to be made by a Nominating Shareholder, the Nominating Shareholder must have given timely notice thereof in proper written form to the Directors. To be timely, a Nominating Shareholder's notice to the Directors must be made: (a) in the case of an annual meeting of Shareholders, not less than 30 nor more than 65 days prior to the date of the annual meeting of Shareholders; provided, however, that in the event that the annual meeting of Shareholders is to be held on a date that is less than 50 days after the date (the "Notice Date") that is the earlier of the date that a notice of meeting is filed for such meeting or the date on which the first public announcement of the date of the annual meeting was made, notice by the Nominating Shareholder may be made not later than the close of business on the tenth day following the Notice Date; and (b) in the case of a special meeting (which is not also an annual meeting) of shareholders called for the purpose of electing Directors (whether or not called for other purposes), not later than the close of business on the 15<sup>th</sup> day following the day that is the earlier of the date that a notice of meeting is filed for such meeting or the date on which the first public announcement of the date of the special meeting of shareholders was made. In no event shall any adjournment or postponement of a meeting of shareholders, or an announcement thereof, re-start the initially required time periods for the giving of a Nominating Shareholder's notice as described above. For greater certainty, this means that a Nominating Shareholder who failed to deliver a timely Nominating Shareholder's notice in proper written form to the Directors for purposes of the originally scheduled shareholders' meeting shall not be entitled to provide a Nominating Shareholder's notice for purposes of any adjourned or postponed meeting of shareholders related thereto as the determination as to whether a Nominating Shareholder's notice is timely is to be determined based off of the original shareholders' meeting date and not any adjourned or postponed shareholders' meeting date.

To be in proper written form, a Nominating Shareholder's notice to the Directors must set forth: (a) as to each person whom the Nominating Shareholder proposes to nominate for election as a Director: (i) the name, age, business address and residential address of the person; (ii) the principal occupation or employment of the person; (iii) the class or series and number of shares which are controlled or which are owned beneficially or of record by the person as of the record date for the meeting of shareholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice; and (iv) any other information relating to the person that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of Directors pursuant to applicable securities laws; and (b) as to the Nominating Shareholder giving the notice, any proxy, contract, arrangement, understanding or relationship pursuant to which such Nominating Shareholder has a right to vote any shares and any other information relating to such Nominating Shareholder that would be required to be made in a dissident's proxy circular in connection with solicitations of proxies for election of Directors pursuant to applicable securities laws. The Company may require any proposed nominee to furnish such other information as may reasonably be required by the Company to determine the eligibility of such proposed nominee to serve as an Independent Director or that could be material to a reasonable shareholder's understanding of the independence, or lack thereof, of such proposed nominee.

The chairperson of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, the discretion to declare that such defective nomination shall be disregarded.

Notwithstanding the foregoing, the Directors may, in their sole discretion, waive any requirement in the Advance Notice Provisions.

#### *Preference Shares*

The preference shares may at any time and from time to time be issued in one or more series, each series to consist of such number of preference shares as may, before the issue thereof, be determined by resolution of the Board. Subject to the provisions of the CBCA, the Board may, by resolution, fix from time to time before the issue thereof the designation, rights, privileges, restrictions and conditions attaching to the preference shares of each series including, without limitation, any right to receive dividends (which may be cumulative or non-cumulative and variable or fixed) or the means of determining such dividends, the dates of payment thereof, any terms or conditions of redemption or purchase, any conversion rights, any voting rights, any retraction rights and any rights on the liquidation, dissolution or winding up of the Company, any sinking fund or other provisions, the whole to be subject to the issue of a certificate of amendment setting forth the designation, rights, privileges, restrictions and conditions attaching to the preference shares of the series. Except as required by law or as provided for in any special rights or restrictions attaching to any series of preference shares, the holders of preference shares will not be entitled to receive notice of, attend or vote at any meeting of the Shareholders of the Company.

Generally, preference shares of each series, if and when issued, will, with respect to the payment of dividends, rank on a parity with the preference shares of every other series and be entitled to preference over the Multiple Voting Shares, the Subordinate Voting Shares or any other shares of the Company ranking junior to the preference shares with respect to payment of dividends. If any amount of cumulative dividends (whether or not declared) or any amount payable on any such

distribution of assets constituting a return of capital in respect of the preference shares of any series is not paid in full, the preference shares of such series shall participate rateably with the preference shares of every other series in respect of all such dividends and amounts.

In the event of liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the holders of preference shares will generally be entitled to preference with respect to distribution of the property or assets of the Company over the Multiple Voting Shares, the Subordinate Voting Shares and any other shares of the Company ranking junior to the preference shares with respect to the repayment of paid-up capital remaining after payment of all outstanding debts on a *pro rata* basis, and the payment of any and all declared but unpaid cumulative dividends, or any and all declared but unpaid non-cumulative dividends, on the preference shares. The Company currently anticipates that there will be no pre-emptive, subscription, redemption or conversion rights attaching to any series of preference shares issued from time to time.

## PRINCIPAL SHAREHOLDER

On January 30, 2015, the Company issued to Fairfax, either directly or to one or more of Fairfax's subsidiaries, 30,000,000 Multiple Voting Shares, on a private placement basis, for an aggregate purchase price of US\$300 million. Fairfax also owns 14,514,737 Subordinate Voting Shares. The Multiple Voting Shares and Subordinate Voting Shares owned or controlled by Fairfax or its subsidiaries collectively represent approximately 93.6% of the voting rights of the Company and a 30.2% equity interest in the Company.

Fairfax, through its subsidiaries, owns 100% of the Multiple Voting Shares and owns or controls approximately 11.5% of the Subordinate Voting Shares.

Fairfax has provided an undertaking to the applicable Canadian securities regulatory authorities wherein it agreed to retain, either directly or through one or more of its subsidiaries, a substantial equity investment in the Company in accordance with the following principles (the "**Retained Interest Requirement**"):

- (a) prior to the fifth anniversary of the Closing, Fairfax and its subsidiaries will not sell any portion of the Substantial Equity Investment if, as a result of such sale, the aggregate equity investment of Fairfax and its subsidiaries in Multiple Voting Shares of the Company would have a market value of less than US\$300,000,000. This means, however, that if the market value of the Substantial Equity Investment increases to an amount greater than US\$300,000,000 following the Closing, Fairfax and its subsidiaries will be permitted to sell any part of their aggregate equity investment in Multiple Voting Shares of the Company so long as, immediately following such sale, they continue to hold an aggregate equity interest in Multiple Voting Shares of the Company with a market value of at least US\$300,000,000;
- (b) on or after the fifth anniversary of the Closing, but prior to the tenth anniversary of the Closing, Fairfax and its subsidiaries will be permitted to sell any part of their aggregate equity investment in Multiple Voting Shares of the Company so long as, immediately following such sale, they continue to hold an aggregate equity interest in Multiple Voting Shares of the Company having a market value of at least US\$150,000,000;
- (c) on or after the tenth anniversary of the Closing, Fairfax and its subsidiaries will be permitted to sell, subject to compliance with applicable securities laws and stock exchange requirements, any part of their aggregate equity investment in Multiple Voting Shares of the Company; and
- (d) prior to the tenth anniversary of the Closing, if Fairfax or its subsidiaries desire to sell any part of their aggregate investment in Multiple Voting Shares of the Company in a transaction that would not satisfy conditions (a) or (b) above, Fairfax and its subsidiaries will only be able to complete such a sale if the acquiror agrees, subject to compliance with applicable securities laws and stock exchange requirements, to acquire a *pro rata* share of the equity investment of all other investors in the Company.

Fairfax also agreed on Closing that it and its affiliates will not sell or transfer any Multiple Voting Shares that are part of the Substantial Equity Investment until at least 80% of the Net Proceeds of the Offerings have been invested in Indian Investments. Any sale or transfer by Fairfax or any of its affiliates of Multiple Voting Shares to a non-affiliate of Fairfax will result in such Multiple Voting Shares being automatically converted into Subordinate Voting Shares. See "Description of Share Capital".

### *Coattail Agreement*

Under applicable Canadian law, an offer to purchase Multiple Voting Shares would not necessarily require that an offer be made to purchase Subordinate Voting Shares. In accordance with the rules of the TSX designed to ensure that, in the event of a take-over bid, the holders of Subordinate Voting Shares will be entitled to participate on an equal footing with holders of Multiple Voting Shares, Fairfax, as the owner of all the outstanding Multiple Voting Shares, entered into a customary coattail agreement with the Company and a trustee (the “**Coattail Agreement**”) on the Closing Date. The Coattail Agreement contains provisions customary for dual class, TSX-listed corporations designed to prevent transactions that otherwise would deprive the holders of Subordinate Voting Shares of rights under applicable provincial take-over bid legislation to which they would have been entitled if the Multiple Voting Shares had been Subordinate Voting Shares.

The undertakings in the Coattail Agreement do not apply to prevent a sale by Fairfax or its affiliates of Multiple Voting Shares if concurrently an offer is made to purchase Subordinate Voting Shares that:

- (a) offers a price per Subordinate Voting Share at least as high as the highest price per share paid pursuant to the take-over bid for the Multiple Voting Shares;
- (b) provides that the percentage of outstanding Subordinate Voting Shares to be taken up (exclusive of shares owned immediately prior to the offer by the offeror or persons acting jointly or in concert with the offeror) is at least as high as the percentage of Multiple Voting Shares to be sold (exclusive of Multiple Voting Shares owned immediately prior to the offer by the offeror and persons acting jointly or in concert with the offeror);
- (c) has no condition attached other than the right not to take up and pay for Subordinate Voting Shares tendered if no shares are purchased pursuant to the offer for Multiple Voting Shares; and
- (d) is in all other material respects identical to the offer for Multiple Voting Shares.

In addition, the Coattail Agreement does not prevent the transfer of Multiple Voting Shares by Fairfax or its affiliates to other affiliates of Fairfax, provided such transfer is not or would not have been subject to the requirements to make a take-over bid (if the vendor or transferee were in Canada) or constitutes or would constitute an exempt take-over bid (as defined in applicable securities legislation). The conversion of Multiple Voting Shares into Subordinate Voting Shares, whether or not such Subordinate Voting Shares are subsequently sold, would not constitute a disposition of Multiple Voting Shares for the purposes of the Coattail Agreement.

The Coattail Agreement contains provisions for authorizing action by the trustee to enforce the rights under the Coattail Agreement on behalf of the holders of the Subordinate Voting Shares. The obligation of the trustee to take such action is conditional on the Company or holders of the Subordinate Voting Shares providing such funds and indemnity as the trustee may reasonably require. No holder of Subordinate Voting Shares has the right, other than through the trustee, to institute any action or proceeding or to exercise any other remedy to enforce any rights arising under the Coattail Agreement unless the trustee fails to act on a request authorized by holders of not less than 10% of the outstanding Subordinate Voting Shares and reasonable funds and indemnity have been provided to the trustee.

Other than in respect of non-material amendments and waivers that do not adversely affect the interests of holders of Subordinate Voting Shares, the Coattail Agreement provides that it may not be amended, and no provision thereof may be waived, unless, prior to giving effect to such amendment or waiver, the following have been obtained: (a) the consent of the TSX and any other applicable securities regulatory authority in Canada; and (b) the approval of at least two-thirds of the votes cast by holders of Subordinate Voting Shares represented at a meeting duly called for the purpose of considering such amendment or waiver, excluding votes attached to Subordinate Voting Shares held by Fairfax or its affiliates and any persons who have an agreement to purchase Multiple Voting Shares on terms which would constitute a sale or disposition for purposes of the Coattail Agreement, other than as permitted thereby.

No provision of the Coattail Agreement will limit the rights of any holders of Subordinate Voting Shares under applicable law.

### ***Pre-Emptive Rights***

In the event that the Company decides to issue additional Subordinate Voting Shares or securities convertible into or exchangeable for Subordinate Voting Shares or an option or other right to acquire any such securities other than to an affiliate thereof (“**Issued Securities**”), the securityholders’ rights agreement between the Company and Fairfax (the “**Securityholders’ Rights Agreement**”) provides Fairfax (and any of its subsidiaries who, from time to time, hold an equity interest in the Company), for so long as Fairfax (together with its subsidiaries) owns, in the aggregate, at least a 10% equity interest in the Company calculated based on the equity capital of the Company as of the Closing, with pre-emptive rights to purchase Issued Securities, to maintain Fairfax’s direct and indirect effective *pro rata* ownership interest. The pre-emptive right does not apply to the issuance of Issued Securities in certain circumstances, including: (i) in respect of the exercise of options, warrants, rights or other securities issued under the Company’s security-based compensation arrangements, if any; (ii) in connection with a subdivision of then-outstanding Subordinate Voting Shares into a greater number of Subordinate Voting Shares; (iii) the issuance of equity securities of the Company in lieu of cash dividends, if any; (iv) the exercise by a holder of a conversion, exchange or other similar privilege pursuant to the terms of a security in respect of which Fairfax or its subsidiaries did not exercise, failed to exercise, or waived its pre-emptive right or in respect of which the pre-emptive right did not apply; (v) pursuant to a shareholders’ rights plan of the Company, if any; (vi) to the Company or any subsidiary of the Company or an affiliate of any of them; and (vii) any issuance of Subordinate Voting Shares pursuant to an over-allotment option granted to the agents or underwriters, as applicable, in connection with an offering of Subordinate Voting Shares.

### ***Registration Rights***

The Securityholders’ Rights Agreement provides Fairfax with the right (the “**Piggy-Back Registration Right**”) to require the Company to include Multiple Voting Shares or Subordinate Voting Shares held by it and/or any of its subsidiaries in any future offerings undertaken by the Company by way of prospectus that it may file with applicable Canadian securities regulatory authorities (a “**Piggy-Back Distribution**”). In such a case, any Multiple Voting Shares to be part of such an offering would first be exchanged by the Company for Subordinate Voting Shares on a one-for-one basis in accordance with their terms. The Company is required to use reasonable commercial efforts to cause to be included in the Piggy-Back Distribution all of the Subordinate Voting Shares (including Subordinate Voting Shares that were formerly Multiple Voting Shares) that Fairfax requests to be sold, provided that if the Piggy-Back Distribution involves an underwriting and the lead underwriter reasonably determines that the aggregate number of Subordinate Voting Shares (including Subordinate Voting Shares that were formerly Multiple Voting Shares) to be included in such Piggy-Back Distribution should be limited for certain prescribed reasons, the Subordinate Voting Shares to be included in the Piggy-Back Distribution will be first allocated to the Company.

In addition, the Securityholders’ Rights Agreement provides Fairfax with the right (the “**Demand Registration Right**”) to require the Company to use reasonable commercial efforts to file one or more prospectuses with applicable Canadian securities regulatory authorities, qualifying Multiple Voting Shares or Subordinate Voting Shares held by Fairfax or its subsidiaries (a “**Demand Distribution**”). In such a case, any Multiple Voting Shares to be part of such an offering would first be exchanged by the Company for Subordinate Voting Shares on a one-for-one basis in accordance with their terms. Fairfax is entitled to request not more than 2 Demand Distributions per calendar year, and each Demand Distribution must be comprised of such number of Subordinate Voting Shares (including Subordinate Voting Shares that were formerly Multiple Voting Shares) that would reasonably be expected to result in gross proceeds of at least US\$20 million. The Company may also distribute Subordinate Voting Shares in connection with a Demand Distribution provided that if the Demand Distribution involves an underwriting and the lead underwriter reasonably determines that the aggregate number of Subordinate Voting Shares to be included in such Demand Distribution should be limited for certain prescribed reasons, the Subordinate Voting Shares (including Subordinate Voting Shares that were formerly Multiple Voting Shares) to be included in the Demand Distribution will be first allocated to Fairfax and its subsidiaries.

Each of the Piggy-Back Registration Right and the Demand Registration Right are exercisable at any time from 18 months following Closing, subject to Fairfax’s Retained Interest Requirement, provided that Fairfax directly or indirectly owns at least a 5% equity interest in the Company calculated based on the equity capital of the Company as of the Closing. The Piggy-Back Registration Right and the Demand Registration Right is subject to various conditions and limitations, and the Company is entitled to defer any Demand Distribution in certain circumstances for a period not exceeding 90 days. The expenses in respect of a Piggy-Back Distribution, subject to certain exceptions, will be borne by the Company, except that any underwriting fee on the sale of any Subordinate Voting Shares (including Subordinate Voting Shares that were formerly Multiple Voting Shares) by Fairfax or its subsidiaries, and the fees of Fairfax’s external legal counsel, will be borne by Fairfax. The expenses in respect of a Demand Distribution, subject to certain exceptions, will be borne by the Company and Fairfax on a proportionate basis according to the number of Subordinate Voting Shares distributed by each. Pursuant to the

Securityholders' Rights Agreement, the Company will indemnify Fairfax for any misrepresentation in a prospectus under which Fairfax's Subordinate Voting Shares (including Subordinate Voting Shares that were formerly Multiple Voting Shares) are distributed (other than in respect of any information provided by Fairfax, in respect of Fairfax, for inclusion in the prospectus) and Fairfax will indemnify the Company for any misrepresentation in any information provided by Fairfax, in respect of Fairfax, for inclusion in the prospectus.

#### ***Fairfax Trademark Licence Agreement***

Fairfax has registered the name "Fairfax" as a trademark in several jurisdictions, including Canada, the United States and India. The Company entered into a trademark licence agreement with Fairfax which provides the Company with a non-exclusive, royalty-free licence to use the "Fairfax" trademark in connection with its business. The licence granted to the Company is revocable at any time at the option of Fairfax upon 60 days' prior written notice to the Company.

## **MARKET FOR SECURITIES**

### ***Trading Price and Volume***

The Subordinate Voting Shares were listed for trading on the TSX under the symbol "FIH.U" on January 30, 2015. The Subordinate Voting Shares trade in U.S. dollars. The following table sets out the market price range in U.S. dollars and aggregate trading volume of the Subordinate Voting Share for the periods indicated in 2016:

<b>Month</b>	<b>High</b>	<b>Low</b>	<b>Close</b>	<b>Volume</b>
January	10.45	9.30	10.10	462,944
February	10.10	9.25	9.50	351,185
March	10.98	9.30	10.85	609,800
April	11.40	10.61	11.1	408,725
May	12.00	10.00	10.62	1,786,188
June	10.89	10.20	10.50	513,009
July	10.93	9.97	10.06	594,929
August	11.36	10.06	10.78	421,179
September	11.11	10.60	11.00	1,482,443
October	11.40	10.73	11.25	3,833,209
November	10.97	11.05	11.87	2,901,081
December	12.00	11.34	11.55	910,741

There is no market where the Multiple Voting Shares are traded as all such shares are owned by Fairfax or its affiliates.

## **DIRECTORS AND MANAGEMENT OF THE COMPANY**

### ***Directors and Executive Officers***

The Board consists of eight Directors, the majority of whom are Independent Directors under Canadian securities laws. The Directors will be elected by shareholders at each annual meeting of the Company's shareholders, and all Directors will hold office for a term expiring at the close of the next annual meeting or until their respective successors are elected or appointed and will be eligible for re-election or re-appointment. The nominees for election by shareholders as Directors will be determined by the Governance, Compensation and Nominating Committee in accordance with the provisions of applicable corporate law and the charter of the Governance, Compensation and Nominating Committee.

The following table sets forth information regarding the Directors and executive officers of the Company. Each Director and executive officer was appointed on November 25, 2014, except as noted below.

<b>Name, Province or State and Country of Residence</b>	<b>Position/Title</b>	<b>Independent</b>	<b>Principal Occupation</b>	<b>Ownership or control over voting securities (Subordinate Voting Shares) of the Company<sup>(8)</sup></b>
V. Prem Watsa <sup>(1)</sup> .....	Director and Chairman	No	Chairman and Chief Executive Officer of Fairfax and Vice President of the Portfolio Advisor	320,000
Toronto, Ontario, Canada				
Anthony F. Griffiths <sup>(2)(3)</sup> .....	Lead Director	Yes	Independent Business Consultant and Corporate Director	—
Toronto, Ontario, Canada				
Alan D. Horn <sup>(2)(3)</sup> .....	Director	Yes	President and Chief Executive Officer of Rogers Telecommunications Limited and Chairman of Rogers Communications Inc.	15,000
Toronto, Ontario, Canada				
Christopher D. Hodgson <sup>(2)(3)</sup> .....	Director	Yes	President, Ontario Mining Association	1,000
Markham, Ontario, Canada				
Deepak Parekh .....	Director	Yes	Chairman of Housing Development Finance Corporation Limited	—
Mumbai, India				
Harsha Raghavan <sup>(4)</sup> .....	Director	No	Managing Director and Chief Executive Officer of Fairbridge	30,000
Mumbai, India				
Dr. Punita Kumar-Sinha <sup>(5)</sup> .....	Director	Yes	Co-Founder, Managing Partner and Chief Investment Officer of Pacific Paradigm Advisors LLC	—
Chestnut Hill, MA, USA				
Chandran Ratnaswami <sup>(6)</sup> .....	Director and Chief Executive Officer	No	Chief Executive Officer of the Company and Managing Director of the Portfolio Advisor	7,000
Toronto, Ontario, Canada				
Jennifer Allen <sup>(7)</sup> .....	Chief Financial Officer	N/A	Chief Financial Officer of the Company	—
Ajax, Ontario, Canada				
John Varnell .....	Vice President, Corporate Affairs and Corporate Secretary	N/A	Vice President, Corporate Development of Fairfax and Vice President, Corporate Affairs and Corporate Secretary of the Company	—
Caledon, Ontario, Canada				

Notes:

- (1) Mr. Watsa is considered a non-Independent Director as he is the Chairman and Chief Executive Officer of Fairfax, the Company's promoter, and the Vice President of the Portfolio Advisor.
- (2) Member of the Audit Committee.
- (3) Member of the Governance, Compensation and Nominating Committee.
- (4) Mr. Raghavan is considered a non-Independent Director as he is the Managing Director and Chief Executive Officer of Fairbridge, a sub-advisor of the Company.
- (5) Ms. Kumar-Sinha was appointed to the Board on August 24, 2015. Ms. Kumar-Sinha has decided not to stand for re-election as a Director at the April 20, 2017 annual meeting of the Shareholders of the Company.
- (6) Mr. Ratnaswami is considered a non-Independent Director as he is the Chief Executive Officer of the Company and a Managing Director of the Portfolio Advisor.
- (7) Effective August 1, 2016, Ms. Allen was appointed Chief Financial Officer of the Company and Mr. Varnell was appointed Vice President, Corporate Affairs of the Company.
- (8) As of March 23, 2017.

As of March 23, 2017, to the Company's knowledge, the Directors and executive officers of the Company beneficially owned, directly or indirectly, or exercised control or direction over, approximately 373,000 Subordinate Voting Shares (representing 0.32% of the outstanding Subordinate Voting Shares). None of the Directors or executive officers of the Company beneficially own, or control or direct, directly or indirectly, any Multiple Voting Shares.

***Biographical Information Regarding the Directors and Executive Officers of the Company***

*V. Prem Watsa (66)* — Please see above under “The Portfolio Advisor — Directors and Officers of the Portfolio Advisor”.

*Anthony F. Griffiths (86)* — Mr. Griffiths is a member of the Board and our Lead Director. Mr. Griffiths is an independent business consultant and corporate director. He is a director of Fairfax, our publicly traded parent, and is also the Chairman of Novadaq Technologies Inc. and a director of Corporate Catalyst Acquisition Inc. Mr. Griffiths was the Chairman of Mitel Corporation from 1987 to 1993, and from 1991 to 1993 assumed the positions of President and Chief Executive Officer in addition to that of Chairman. Mr. Griffiths is a member of our Audit Committee and the Chair of our Governance, Compensation and Nominating Committee, and is a resident of Toronto, Ontario, Canada.

*Christopher D. Hodgson (55)* — Mr. Hodgson is a member of the Board and a member of each of the Audit Committee and Governance, Compensation and Nominating Committee. Mr. Hodgson is the President of the Ontario Mining Association, and a board member for Fairfax Africa Holdings Corporation, Cara Operations Ltd. and Canadian Orebodies Inc. He previously served as lead director for The Brick Ltd. As a member of provincial parliament, he served as Minister of Natural Resources, Minister of Northern Development and Mines, Chairman of the Management Board of Cabinet, Commissioner of the Board of Internal Economy, and Minister of Municipal Affairs and Housing. Previously he enjoyed a career in municipal government and real estate development and is an Honours Bachelor of Arts graduate from Trent University. Mr. Hodgson is a resident of Markham, Ontario, Canada.

*Alan D. Horn (65)* — Mr. Horn is a member of the Board, Chair of our Audit Committee and a member of the Governance, Compensation and Nominating Committee and he is a director of Fairfax. Mr. Horn is the Interim President and Chief Executive Officer of Rogers Communications Inc., the President and Chief Executive Officer of Rogers Telecommunications Limited and has been Chairman of Rogers Communications Inc. since March 2006. Mr. Horn served as Acting President and Chief Executive Officer of Rogers Communications Inc. from October 2008 to March 2009. Mr. Horn was Vice President, Finance and Chief Financial Officer of Rogers Communications Inc. from 1996 to 2006 and was President and Chief Operating Officer of Rogers Telecommunications Limited from 1990 to 1996. Mr. Horn is a Chartered Accountant and the lead director and a member of the Audit Committee of CCL Industries Inc. Mr. Horn is a resident of Toronto, Ontario, Canada.

*Deepak Parekh (72)* — Mr. Parekh is a member of the Board. Mr. Parekh is the Chairman of the Housing Development Finance Corporation Limited (HDFC), the largest housing finance company in India which he joined in 1978. Mr. Parekh is the non-executive Chairman of BAE Systems India (Services) Pvt Ltd, GlaxoSmithKline Pharmaceuticals Ltd. and Siemens Ltd and serves as a director of several Indian public companies, including Mahindra & Mahindra Ltd, The Indian Hotels Co Ltd and Network 18 Media & Investments Limited. Mr. Parekh also serves as a director of DP World Limited, a company listed on NASDAQ Dubai, and Vedanta Resources PLC, a company listed on the London Stock Exchange, besides serving as Chairman for several HDFC Group companies. Mr. Parekh received a Bachelor of Commerce degree from the Bombay University and holds a Chartered Accountant degree from the Institute of Chartered Accountants in England & Wales. Mr. Parekh is a resident of Mumbai, Maharashtra, India.

*Dr. Punita Kumar-Sinha (54)* — Dr. Kumar-Sinha is a member of the Board (though she has decided not to stand for re-election as a Director at the April 20, 2017 annual meeting of the Shareholders of the Company). She is the Founder and Managing Partner of Pacific Paradigm Advisors, an independent investment advisory and management firm focused on Asia. She has over 25 years of experience in investment management and corporate governance, including serving as the Senior Managing Director, Chief Investment Officer and Senior Portfolio Manager of Blackstone Asia Advisors and the Managing Director and Senior Portfolio Manager of Oppenheimer & Co./CIBC World Markets. Dr. Kumar-Sinha has a Ph.D. and a Masters in Finance from the Wharton School, University of Pennsylvania, an MBA from Drexel University and an undergraduate degree in chemical engineering from the Indian Institute of Technology, New Delhi. She is also a member of the CFA Institute, the Boston Security Analysts Society and the Council on Foreign Relation. Dr. Kumar-Sinha is a resident of Chestnut Hill, MA, USA.

*Harsha Raghavan (45)* — Please see above under “The Portfolio Advisor and Fairbridge — Fairbridge”.

Chandran Ratnaswami (67) — Please see above under “FIH Mauritius and FIH Private — Biographical Information Regarding the Directors and Executive Officers of FIH Mauritius and FIH Private”.

Jennifer Allen (47) — Ms. Allen joined Fairfax in July 2006 and was the Assistant Vice President Finance and Global Controller before being appointed to Chief Financial Officer of the Company on August 1, 2016. In her role with Fairfax Ms. Allen was a key member of the head office finance team, where she had global leadership responsibility for Fairfax’s consolidated financial reporting, internal control over financial reporting, fiscal plans, acquisitions and prospectus filings. Before joining Fairfax, Ms. Allen was the Chief Accountant at General Motors of Canada and prior to that was with KPMG LLP in Toronto. Ms. Allen holds a Chartered Professional Accountant, Chartered Accountant designation from the Canadian Institute of Chartered Accountants. Ms. Allen is a resident of Ajax, Ontario, Canada.

John Varnell (60) — Mr. Varnell is Vice President, Corporate Affairs and Corporate Secretary of the Company and is the Vice President, Corporate Development of Fairfax, a position he has held since August 2012. Mr. Varnell served as Chief Financial Officer of the Company until August 2016. Mr. Varnell joined Fairfax in March 1987 and served as Controller until 1991. Mr. Varnell was Fairfax’s Chief Financial Officer from May 1991 to September 2001. From 2005 to 2008, Mr. Varnell was appointed the Chief Financial Officer of Northbridge Financial Corporation, a wholly-owned subsidiary of Fairfax and engaged in special projects on behalf of Fairfax, from 2008 to 2010. In June 2010, Mr. Varnell was re-appointed as Vice President and Chief Financial Officer of Fairfax, a position he held until July 2012. Mr. Varnell received an Honours Bachelor of Business Administration degree from the University of Western Ontario and holds a Chartered Professional Accountant, Chartered Accountant designation from the Canadian Institute of Chartered Accountants. Mr. Varnell is a resident of Caledon, Ontario, Canada.

#### ***Penalties or Sanctions***

None of the Directors or executive officers of the Company, and to the best of its knowledge, no shareholder holding a sufficient number of securities to affect materially the control of the Company, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

#### ***Individual Bankruptcies***

None of the Directors or executive officers of the Company, and to the best of its knowledge, no shareholder holding a sufficient number of securities to affect materially the control of the Company, has, within the 10 years prior to the date of this annual information form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

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

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

Mr. Griffiths was a director of Resolute Forest Products Inc. (formerly AbitibiBowater Inc.) when that company and certain of its Canadian and U.S. subsidiaries filed for protection in Canada under the *Companies’ Creditors Arrangement Act* (Canada) (“*CCAA*”) and for relief under Chapter 11 of the United States Bankruptcy Code (the “*USBC*”) in April 2009. On

December 9, 2010, that company emerged from creditor protection under the CCAA in Canada and Chapter 11 of the USBC in the United States. Mr. Griffiths was a director of PreMD Inc. from 1995 to February 2010 and in connection with the voluntary delisting of the company's shares from the TSX, cease trade orders were issued in April 2009 (and remain in effect) requiring all trading in and all acquisitions of securities of the company to cease permanently due to its failure to file continuous disclosure materials required by Ontario securities law. Mr. Griffiths was a director of Jaguar Mining Inc. from May 2004 to June 2013. On December 23, 2013, the company commenced proceedings under the CCAA to complete a recapitalization and financing transaction. Trading of the company's common shares was suspended on December 23, 2013 and the common shares were delisted from the TSX on February 10, 2015. On February 7, 2014, the affected unsecured creditors of the company and the Ontario Superior Court of Justice approved the company's plan of compromise and arrangement pursuant to the CCAA which was subsequently implemented effective April 22, 2014.

### ***Conflicts of Interest***

Each of V. Prem Watsa, Alan D. Horn and Anthony F. Griffiths, each a Director and a director of Fairfax (and, in the case of Mr. Watsa, a director of the Portfolio Advisor), will be required to disclose the nature and extent of his interest in, and is not entitled to vote on, any resolution to approve, any material contract or transaction or any proposed material contract or transaction between the Company and Fairfax (or, in the case of Mr. Watsa, between the Company and the Portfolio Advisor) or any of its affiliates or any other entity in which Messrs. Watsa, Horn or Griffiths, respectively, has an interest (unless the contract or transaction relates to his remuneration or an indemnity on liability insurance).

As the Chair of the Board is not an Independent Director, Anthony Griffiths, an Independent Director, was appointed as "Lead Director" in order to ensure appropriate leadership for the Independent Directors. The Lead Director will (i) ensure that appropriate structures and procedures are in place so that the Board may function independently of management of the Company; and (ii) lead the process by which the Independent Directors seek to ensure that the Board represents and protects the interests of all shareholders. Anthony Griffiths, as Lead Director, is also the Chair of the Governance, Compensation and Nominating Committee.

### ***Audit Committee***

A copy of our Audit Committee Charter is attached as Appendix A. The members of our Audit Committee are Alan D. Horn (Chair) Anthony F. Griffiths and Christopher D. Hodgson. All of the members of our Audit Committee are independent and financially literate pursuant to the meanings of such terms in Multilateral Instrument 52-110 — Audit Committees. Each of the Audit Committee members has an understanding of the accounting principles used to prepare financial statements and varied experience as to the general application of such accounting principles, as well as an understanding of the internal controls and procedures necessary for financial reporting. Additional information concerning our Audit Committee, including the education and experience of each Audit Committee member and the procedures that we have adopted for the engagement of non-audit services, can be found in our Management Proxy Circular dated March 10, 2017 under the heading "Audit Committee".

Accountant fees incurred for the year ended December 31, 2016 to our external auditor, PricewaterhouseCoopers LLP, and its affiliates by us and our subsidiaries were \$798,259 Canadian dollars ("Cdn\$"). The fees payable to PricewaterhouseCoopers LLP in 2016 are detailed below.

	<b>Year ended December 31, 2016 (in Cdn\$)</b>
Audit fees.....	\$398,259
Tax fees.....	\$197,000
All other fees.....	\$203,000
Total.....	<u>\$798,259</u>

The nature of each category of fees is described below.

### ***Audit Fees***

Audit fees were incurred for professional services rendered for the audits of our consolidated financial statements, statutory and subsidiary audits, and assistance with review of documents filed with regulatory authorities.

**Tax Fees**

Tax fees incurred for services related to tax compliance, tax advice and tax planning professional services.

**All Other Fees**

Fees disclosed in the table above under the item “all other fees” incurred for services other than the audit fees and tax fees described above. These services consisted primarily of assistance with respect to regulatory compliance matters and French translation of our continuous disclosure documents.

**PROMOTER**

Fairfax has taken the initiative in founding and organizing the Company and may therefore be considered a promoter of the Company for the purposes of applicable securities legislation. Fairfax is a holding company which, through its subsidiaries, is engaged in property and casualty insurance and reinsurance and investment management. Fairfax is listed on the TSX under the symbol “FFH”. The number of Multiple Voting Shares and Subordinate Voting Shares (and the equity percentage outstanding) that is held by Fairfax, either directly or through one or more subsidiaries, is set forth under “Principal Shareholder”. Fairfax also acts as Portfolio Administrator under the Investment Advisory Agreement and thereby receives certain fees as described under “Summary of Fees and Expenses”. Fairfax will not receive any benefits, directly or indirectly from the Company other than as described under “Summary of Fees and Expenses” and “Principal Shareholder”.

**LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

The Company is not aware of any existing or contemplated legal proceedings to which it is or was a party since the beginning of its most recently completed financial year.

The Company is not aware of any penalties or sanctions imposed by a court or securities regulatory authority or other regulatory body against the Company, nor has the Company entered into any settlement agreements before a court or with a securities regulatory authority.

The Autorité des marchés financiers (the “AMF”), the securities regulatory authority in the Province of Quebec, is conducting an investigation of Fairfax, its CEO, Mr. Prem Watsa, and its President, Mr. Paul Rivett. The investigation concerns the possibility of illegal insider trading and/or tipping (not involving any personal trading by the individuals) in connection with the December 15, 2011 takeover offer by Resolute Forest Products Inc. for shares of Fibrek Inc. Except as set out below, further details concerning the investigation are, by law, not permitted to be disclosed.

The AMF has authorized Fairfax to make the above-mentioned disclosure. Fairfax and its management are solely responsible for the content of the disclosure set out in the three following paragraphs. The AMF has not in any way endorsed that content.

Resolute’s above-mentioned takeover offer was made to all Fibrek shareholders, including Fairfax. Fairfax agreed in that transaction to a hard lock-up agreement with Resolute whereby Fairfax agreed to tender its shares of Fibrek, representing approximately 26% of Fibrek’s outstanding shares, to the Resolute takeover offer at the same price as all other Fibrek shareholders. At the time of the Resolute takeover offer for Fibrek, Fairfax’s position in Fibrek was valued at approximately Cdn\$32 million, representing less than  $\frac{1}{6}$  of 1% of Fairfax’s total invested assets at that time.

Fibrek actively opposed the Resolute takeover offer. In 2012, the Fibrek transaction was the subject of numerous regulatory hearings in Quebec and court proceedings relating to Fibrek’s anti-takeover tactics and the hard lock-ups given by various selling shareholders, including Fairfax. Allegations were made in those hearings concerning the possibility of non-compliance with the takeover bid rules. Resolute’s takeover offer was allowed to proceed and resulted in Resolute acquiring Fibrek.

Fairfax believes it has an unblemished record for honesty and integrity and is fully cooperating with the AMF’s investigation. Fairfax continues to be confident that in connection with the Resolute takeover offer, it had no material non-public information, that it did not engage in illegal insider trading or tipping, and that there is no reasonable basis for any proceedings in this connection. To the best of Fairfax’s knowledge, the AMF investigation is still ongoing. If the AMF commences legal proceedings, which could be administrative or penal, no assurance can be given at this time by Fairfax as to the outcome.

The Portfolio Administrator and its directors and officers have in the past and are currently subject to various litigation matters in India relating to investments by the Portfolio Administrator and affiliates in India. The Portfolio Administrator is of the view that such litigation is without merit and that if determined adversely would not have a material adverse effect on the ability of the Portfolio Administrator and its directors and officers to perform their obligations to the Company as described in this annual information form.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Other than as noted below, there are no material interests, direct or indirect, of any director or executive officer of the Company, any shareholder that beneficially owns, or controls or directs (directly or indirectly), more than 10% of the aggregate votes attached to the Multiple Voting Shares and Subordinate Voting Shares, or any associate or affiliate of any of the foregoing persons, in any transaction within the three years before the date hereof that has materially affected or is reasonably expected to materially affect the Company or any of its subsidiaries.

Fairfax holds a significant interest in the Company. See “Principal Shareholder” and “Promoter”.

## **AUDITOR, TRANSFER AGENT AND REGISTRAR**

PricewaterhouseCoopers LLP, Chartered Professional Accountants, Licensed Public Accountants, is the auditor of the Company.

The transfer agent and registrar for the Multiple Voting Shares and the Subordinate Voting Shares is Computershare Trust Company of Canada at its principal office in Toronto, Ontario.

## **MATERIAL CONTRACTS**

The following are the only material agreements of the Company that are in effect as of the date hereof (other than certain agreements entered into in the ordinary course of business):

- (a) the Coattail Agreement (see “Principal Shareholder — Coattail Agreement”);
- (b) the Investment Advisory Agreement, (see “Portfolio Advisor and Fairbridge — Investment Advisory Agreement”);
- (c) the Securityholders’ Rights Agreement (see “Principal Shareholder — Pre-Emptive Rights”);
- (d) the Offering Underwriting Agreement;
- (f) share purchase agreement dated as of July 20, 2015 between National Collateral Management Services Limited, FIH Mauritius Investments Ltd., International Finance Corporation, India Agri Business Fund Ltd., Real Trust and Indian Farmers Fertiliser Cooperative Limited (see “General Development of the Business – Recent Developments”);
- (g) amended and restated share purchase agreement dated as of April 7, 2016 between Bangalore Airport & Infrastructure Developers Private Limited, FIH Mauritius and Fairbridge Capital (Mauritius) Limited (see “General Development of the Business – Recent Developments”);
- (h) share subscription agreement dated as of January 13, 2016 between Sanmar and FIH Mauritius, among others (see “General Development of the Business – Recent Developments”);
- (i) debenture subscription agreement dated as of April 8, 2016 between Sanmar, IDBI Trusteeship Services Limited and FIH Mauritius (see “General Development of the Business – Recent Developments”);
- (j) credit agreement in respect of the Term Loan dated as of September 16, 2016 between the Company, FIH Mauritius, FIH Private and a syndicate of Canadian lenders; and
- (k) the Second Offering Underwriting Agreement.

Copies of the foregoing documents are available on SEDAR. The Offering Underwriting Agreement was entered into on January 22, 2015 between Fairfax, the Company and the underwriters for the Offering. Pursuant to the Offering Underwriting Agreement, the Company agreed to sell and the underwriters severally agreed to purchase on Closing an aggregate of 50,000,000 Subordinate Voting Shares at a price of US\$10.00 per Subordinate Voting Share payable in cash to the Company against delivery of the Subordinate Voting Shares for aggregate gross proceeds of US\$500,000,000. The underwriters were also granted an over-allotment option. In consideration for their services in connection with the Offering, the Company agreed to pay the Underwriters a fee equal to US\$0.50 per Subordinate Voting Share. However, no fee was payable to the underwriters in respect of (i) the Substantial Equity Investment, and (ii) the Cornerstone Investment.

The Second Offering Underwriting Agreement was entered into on December 14, 2016 between the Company and the underwriters for the Second Offering. Pursuant to the Second Offering Underwriting Agreement, the Company agreed to sell and the underwriters severally agreed to purchase on Closing an aggregate of 12,766,000 Subordinate Voting Shares at a price of US\$11.75 per Subordinate Voting Share payable in cash to the Company against delivery of the Subordinate Voting Shares for aggregate gross proceeds of approximately US\$150 million. The underwriters were also granted an over-allotment option. In consideration for their services in connection with the Offering, the Company agreed to pay the Underwriters a fee equal to US\$0.47 per Subordinate Voting Share. Concurrent with the Public Offering, Fairfax and OMERS acquired 12,766,000 Subordinate Voting Shares and 17,021,500 Subordinate Voting Shares, respectively, at a price of US\$11.75 per Subordinate Voting Share in a concurrent private placement.

### **INTERESTS OF EXPERTS**

Our independent auditor is PricewaterhouseCoopers LLP, Chartered Accountants, Licensed Public Accountants who has issued an independent auditor's report dated March 10, 2017 in respect of Fairfax India's consolidated financial statements as at December 31, 2016. PricewaterhouseCoopers LLP has advised that they are independent with respect to Fairfax India within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

### **ADDITIONAL INFORMATION**

Additional information about the Company including directors' and officers' remuneration and indebtedness and principal holders of our securities is contained in our information circular for our annual meeting of shareholders to be held on April 20, 2017. Additional financial information is provided in our audited consolidated financial statements for the year ended December 31, 2016 and our 2016 MD&A, all of which may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

## GLOSSARY

“**2016 Annual Financial Statements**” has the meaning ascribed thereto under “General Development of the Business – Recent Developments”;

“**2016 Annual Report**” means the annual report of the Company dated March 10, 2017;

“**2016 MD&A**” has the meaning ascribed thereto under “General Development of the Business – Recent Developments”;

“**ADI**” has the meaning ascribed thereto under “Corporate Structure – Intercorporate Relationships”;

“**Adjusted Capital**” has the meaning ascribed thereto under “Summary of Fees and Expenses”;

“**Administration and Advisory Fee**” has the meaning ascribed thereto under “Summary of Fees and Expenses”;

“**Advance Notice Provisions**” has the meaning ascribed thereto under “Description of Share Capital — Multiple Voting Shares and Subordinate Voting Shares”;

“**AMF**” means Autorité des marchés financiers;

“**Audit Committee**” means the audit committee of the Company, as further described under the heading “Directors and Management of the Company — Audit Committee”;

“**Board**” means the board of directors of the Company;

“**Calculation Period**” has the meaning ascribed thereto under “Summary of Fees and Expenses”;

“**CBCA**” means the *Canada Business Corporations Act*;

“**CCAA**” means the *Companies’ Creditors Arrangement Act* (Canada);

“**CFA**” means “controlled foreign affiliate” as defined in the Tax Act;

“**Closing**” means the closing of the Offering, which occurred on the Closing Date;

“**Closing Date**” means January 30, 2015;

“**Coattail Agreement**” has the meaning ascribed thereto under “Principal Shareholder — Coattail Agreement”;

“**Companies Act**” means the Companies Act 2001 under the laws of the Republic of Mauritius;

“**Company**” means Fairfax India Holdings Corporation, as interpreted in the manner described under “Certain References and Forward-Looking Statements”;

“**Company Custodian**” means RBC Investor Services Trust;

“**Company Custodian Agreement**” means the custodian agreement dated January 23, 2015 between the Company and the Company Custodian;

“**Cornerstone Investment**” has the meaning ascribed thereto under “General Development of the Business”;

“**Custodians**” means, collectively, the Company Custodian and the Subsidiary Custodian;

“**DBRS**” means DBRS Limited;

“**Demand Distribution**” has the meaning ascribed thereto under “Principal Shareholder — Registration Rights”;

“**Demand Registration Right**” has the meaning ascribed thereto under “Principal Shareholder — Registration Rights”;

“**Designated Rating**” has the same meaning as in National Instrument 81-102 – *Investment Funds*;

“**Designated Rating Organization**” means (a) each of DBRS, Fitch, Moody’s, S&P, including their Specified Affiliates, or (b) any other credit rating organization that has been designated under applicable Canadian securities legislation;

“**Determination Date**” has the meaning ascribed thereto under “Summary of Fees and Expenses”;

“**Directors**” means the directors of the Company, and “**Director**” means any one of them;

“**DTAA**” has the meaning ascribed thereto under “Risk Factors — Risk Factors Related to Investments in India — Indian Tax Law”;

“**Equity Monetization Arrangement**” means one or more agreements, arrangements or understandings to which a holder of a Multiple Voting Share is a party, the effect of which is to allow the holder of such Multiple Voting Share to receive a cash amount similar to proceeds of disposition, and transfer part or all of the economic risk and/or return associated with such Multiple Voting Share, without actually transferring ownership of or control over such Multiple Voting Shares; provided, however, that an Equity Monetization Arrangement expressly excludes (a) any pledge, grant of a security interest or other assignment or transfer for purposes of providing security relating to a Multiple Voting Share, or (b) any currency hedging activities;

“**Fairbridge**” means Fairbridge Capital Private Limited, a corporation established under the laws of India, and a sub-advisor to the Portfolio Advisor;

“**Fairfax**” means Fairfax Financial Holdings Limited, a corporation established under the laws of Canada, and the promoter of the Offering;

“**FAPI**” means “foreign accrual property income” as defined in the Tax Act;

“**FDI**” means foreign direct investment;

“**FEMA**” means the (Indian) Foreign Exchange Management Act, 1999;

“**FIH Mauritius**” means FIH Mauritius Investments Ltd;

“**FIH Mauritius Board**” means the board of directors of FIH Mauritius;

“**FIH Mauritius Shares**” has the meaning ascribed thereto under “Description of the Business — FIH Mauritius and FIH Private — Share Capital”;

“**FIH Private**” means FIH Private Investments Ltd;

“**FIH Private Board**” means the board of directors of FIH Private;

“**FIH Private Shares**” has the meaning ascribed thereto under “Description of the Business — FIH Mauritius and FIH Private — Share Capital”;

“**Fitch**” means Fitch, Inc.;

“**forward-looking statements**” has the meaning ascribed thereto under “Certain References and Forward-Looking Statements”;

“**FPI**” means foreign portfolio investor;

“**FPI Regulations**” means Regulation 5(2) and Schedule 2 of the FEMA Regulations and the Securities and Exchange Board of India (Foreign Portfolio Investor) Regulations, 2014;

“**FSC**” has the meaning ascribed thereto under “Description of the Business — FIH Mauritius and FIH Private”;

- “**GAAR**” has the meaning ascribed thereto under “Risk Factors — Risk Factors Related to Investments in India — GAAR”;
- “**GDP**” means gross domestic product;
- “**High Water Mark**” has the meaning ascribed thereto under “Summary of Fees and Expenses”;
- “**Holder**” means a Shareholder who at all relevant times, for purposes of the Tax Act, (a) beneficially owns Subordinate Voting Shares as capital property, and (b) deals at arm’s length with the Company and is not affiliated with the Company;
- “**Hurdle Per Share**” has the meaning ascribed thereto under “Summary of Fees and Expenses”;
- “**IAA**” has the meaning ascribed thereto under “Risk Factors — Risk Factors Related to Investments in India — GAAR”;
- “**IFRS**” means International Financial Reporting Standards as issued by the International Accounting Standards Board;
- “**IFS**” means International Financial Services Limited;
- “**IIFL**” has the meaning ascribed thereto under “Corporate Structure – Intercorporate Relationships”;
- “**Independent Director**” means a Director who is independent of the Company in accordance with applicable Canadian securities law;
- “**Indian Investments**” means investments by the Company in public and private equity securities and debt instruments in India and Indian businesses or other businesses with customers, suppliers or business primarily conducted in, or dependent on, India. For the avoidance of doubt Indian Investments do not include Permitted Investments;
- “**Indirect CFA**” means any direct or indirect subsidiary of a CFA that is itself a CFA;
- “**Indo-Mauritius DTAA**” means the India-Mauritius tax treaty, the rules and regulations made thereunder, as amended from time to time, and the judicial and administrative interpretations in respect thereof as on the date of this annual information form;
- “**INR**” has the meaning ascribed thereto under “Risk Factors — Risk Factors Related to the Business of the Company — Foreign Currency Fluctuation”;
- “**Investment Advisory Agreement**” has the meaning ascribed thereto under “The Portfolio Advisor and Fairbridge — Investment Advisory Agreement”;
- “**Investment Concentration Restriction**” has the meaning ascribed thereto under “Description of the Business — Investment Restrictions”;
- “**IPO**” has the meaning ascribed thereto under “Description of the Business — Investment Restrictions”;
- “**Issued Securities**” has the meaning ascribed thereto under “Principal Shareholder — Pre-Emptive Rights”;
- “**ITA**” means the Indian Income tax Act, 1961, the rules and regulations made thereunder, as amended from time to time, and the judicial and administrative interpretations in respect thereof as on the date of this annual information form;
- “**Mandatory By-Law Provisions**” has the meaning ascribed thereto under “Description of Share Capital — Multiple Voting Shares and Subordinate Voting Shares”;
- “**Market Price**” has the meaning ascribed thereto in “Summary of Fees and Expenses”;
- “**Mauritius Administrator**” has the meaning ascribed thereto under “Description of the Business — FIH Mauritius and FIH Private — Mauritius Administrator”;
- “**MI Directors**” means the directors of FIH Mauritius or FIH Private, and “**MI Director**” means any one of them;

“**Minimum Investment Requirement**” has the meaning ascribed thereto under “Description of the Business — Investment Restrictions”;

“**Moody’s**” means Moody’s Investors Service Inc.;

“**Multiple Voting Shares**” means the multiple voting shares in the capital of the Company, as further described under “Description of Share Capital — Multiple Voting Shares and Subordinate Voting Shares”, and “**Multiple Voting Share**” means any one of them;

“**NAV per Share**” means, on any day, the Net Asset Value of the Company on such day divided by the aggregate number of Multiple Voting Shares and Subordinate Voting Shares of the Company that are outstanding on such day;

“**NCML**” has the meaning ascribed thereto under “Corporate Structure – Intercorporate Relationships”;

“**Net Asset Value**” has the meaning ascribed thereto under “Calculation of Total Assets and Net Asset Value”;

“**Net Proceeds of the Offerings**” means the net proceeds of the Offering, together with the net proceeds of the Cornerstone Investment and the concurrent issuance of the Multiple Voting Shares;

“**NI 81-102**” means National Instrument 81-102 — *Investment Funds* of the Canadian Securities Administrators, as amended from time to time;

“**Nominating Shareholder**” has the meaning ascribed thereto under “Description of Share Capital — Multiple Voting Shares and Subordinate Voting Shares”;

“**Notice Date**” has the meaning ascribed thereto under “Description of Share Capital — Multiple Voting Shares and Subordinate Voting Shares”;

“**NSE**” has the meaning ascribed thereto under “Corporate Structure – Intercorporate Relationships”;

“**Offering**” has the meaning ascribed thereto under “General Development of the Business – Overview”;

“**Offering Underwriting Agreement**” means the underwriting agreement among Fairfax, the Company and the Underwriters dated January 22, 2015 in respect of the Offering, as further described under “Material Contracts”;

“**OMERS**” has the meaning ascribed thereto under “General Development of the Business – Overview”;

“**PACs**” has the meaning ascribed thereto under “Description of the Business — FIH Mauritius and FIH Private”;

“**Performance Fee**” has the meaning ascribed thereto under “Summary of Fees and Expenses”;

“**Permitted Investments**” means, (a) an evidence of indebtedness that is issued, or fully and unconditionally guaranteed as to principal and interest, by (i) the government of Canada or the government of a province or territory of Canada, (ii) the government of the United States of America, the government of one of the states of the United States of America, the government of another sovereign state, or a Permitted Supranational Agency, if, in each case, the evidence of indebtedness has a Designated Rating, except in the case of indebtedness issued by the government of India, in which case the evidence of indebtedness must be rated by a Designated Rating Organization or its Specified Affiliate as investment grade or higher or (iii) a Canadian financial institution or a financial institution that is not incorporated or organized under the laws of Canada or of a province or municipality thereof if, in either case, evidences of indebtedness of that issuer or guarantor that are rated as short term debt by a Designated Rating Organization or its Specified Affiliate have a Designated Rating, (b) commercial paper that has a term to maturity of 365 days or less and a Designated Rating and that was issued by a person or company other than a government or Permitted Supranational Agency, (c) an evidence of indebtedness that is issued by an entity the majority of the votes attached to all outstanding voting shares of which are held by the government of India, even if such indebtedness is not fully and unconditionally guaranteed by the government of India, if the evidence of indebtedness has the highest rating issued by a Designated Rating Organization or its Specified Affiliate, (d) a fixed income mutual fund that has the highest rating issued by a Designated Rating Organization or its Specified Affiliate and that is redeemable on a daily basis, or (e) a fixed income mutual fund that is redeemable on a daily basis and that is limited to investing in indebtedness that meets the criteria in (a), (b), (c) and (d), as applicable, of this Permitted Investments definition.

“**Permitted Supranational Agency**” means the African Development Bank, the Asian Development Bank, the Caribbean Development Bank, the European Bank for Reconstruction and Development, the European Investment Bank, the Inter-American Development Bank, the International Bank for Reconstruction and Development and the International Finance Corporation;

“**Piggy-Back Distribution**” has the meaning ascribed thereto under “Principal Shareholder — Registration Rights”;

“**Piggy-Back Registration Right**” has the meaning ascribed thereto under “Principal Shareholder — Registration Rights”;

“**PIS**” has the meaning ascribed thereto under “Description of the Business — FIH Mauritius and FIH Private”;

“**Portfolio Administrator**” means Fairfax;

“**Portfolio Advisor**” means Hamblin Watsa Investment Counsel Ltd., a corporation incorporated under the laws of Canada;

“**Privi**” has the meaning ascribed thereto under “Corporate Structure – Intercorporate Relationships”;

“**RBI**” means the Reserve Bank of India;

“**Retained Interest Requirement**” has the meaning ascribed thereto under “Principal Shareholder”;

“**Sanmar**” has the meaning ascribed thereto under “Corporate Structure – Intercorporate Relationships”;

“**Saurashtra**” has the meaning ascribed thereto under “Corporate Structure – Intercorporate Relationships”;

“**SEBI**” means the Securities and Exchange Board of India;

“**S&P**” means Standard and Poor’s Rating Services;

“**Second Offering**” has the meaning ascribed thereto under “General Development of the Business – Overview”

“**Second Offering Underwriting Agreement**” means the underwriting agreement among Fairfax, the Company and the Underwriters dated December 20, 2016 in respect of the Second Offering, as further described under “Material Contracts”;

“**Securityholders’ Rights Agreement**” has the meaning ascribed thereto under “Principal Shareholder — Pre-Emptive Rights”;

“**SEDAR**” means the System for Electronic Document Analysis and Retrieval at [www.sedar.com](http://www.sedar.com);

“**Shareholders**” means, collectively, the holders of the Multiple Voting Shares and Subordinate Voting Shares, and “**Shareholder**” means any one of them;

“**Specified Affiliates**” has the same meaning as in section 1 of National Instrument 25-101 — *Designated Rating Organizations* and also includes any subsidiaries of each of DBRS, Fitch, Moody’s and S&P, including CRISIL Limited and ICRA Limited;

“**Subordinate Voting Shares**” means the subordinate voting shares in the capital of the Company, as further described under “Description of Share Capital — Multiple Voting Shares and Subordinate Voting Shares”, and “**Subordinate Voting Share**” means any one of them;

“**Subsidiary Custodian**” means Deutsche Bank AG, Mumbai Branch;

“**Subsidiary Custodian Agreements**” means the custodian agreements dated January 28, 2015 between the Subsidiary Custodian and FIH Mauritius and FIH Private, respectively;

“**Substantial Equity Investment**” has the meaning ascribed thereto under “General Development of the Business”;

“**Tax Act**” means the *Income Tax Act* (Canada) and the regulations thereunder;

“**Term Loan**” has the meaning ascribed thereto under “General Development of the Business – Overview”.

“**Total Assets**” has the meaning ascribed thereto under “Calculation of Total Assets and Net Asset Value”;

“**TSX**” means the Toronto Stock Exchange;

“**U.S. Securities Act**” means the United States Securities Act of 1933, as amended;

“**Undeployed Capital**” means all equity capital of the Company that is not then invested in Indian Investments;

“**United States**” has the meaning ascribed thereto in Regulation S under the U.S. Securities Act; and

“**USBC**” means the United States Bankruptcy Court.

**APPENDIX A  
AUDIT COMMITTEE CHARTER**

**FAIRFAX INDIA HOLDINGS CORPORATION  
AUDIT COMMITTEE CHARTER**

**1. Statement of Purpose**

The Audit Committee (the “**Committee**”) of Fairfax India Holdings Corporation (“**Fairfax India**”) has been established by the Board of Directors of Fairfax India (the “**Board**”) for the purpose of overseeing the accounting and financial reporting processes of Fairfax India, including the audit of the financial statements of Fairfax India.

The Committee is responsible for assisting with the Board’s oversight of (1) the quality and integrity of Fairfax India’s financial statements and related disclosure, (2) Fairfax India’s compliance with legal and regulatory requirements, (3) the independent auditor’s qualifications, performance and independence and (4) the integrity of the internal controls at Fairfax India.

**2. Committee Membership**

*Members*

The Committee will consist of as many members of the Board as the Board may determine but, in any event, not less than three members, a majority of whom shall be resident Canadians. Members of the Committee will be appointed by the Board, taking into account any recommendation that may be made by the Governance, Compensation and Nominating Committee. Any member of the Committee may be removed and replaced at any time by the Board, and will automatically cease to be a member if he or she ceases to meet the qualifications set out below. The Board will fill vacancies on the Committee by appointment from among qualified members of the Board, taking into account any recommendation that may be made by the Governance, Compensation and Nominating Committee. If a vacancy exists, the remaining members of the Committee may exercise all of its powers so long as there is a quorum and subject to any legal requirements regarding the minimum number of members of the Committee.

*Chair*

Each year, the Board will designate one of the members of the Committee to be the Chair of the Committee, taking into account any recommendation that may be made by the Governance, Compensation and Nominating Committee. If, in any year, the Board does not appoint a Chair, the incumbent Chair shall continue in office until a successor is appointed. The Board will adopt and approve a position description for the Chair which sets out his or her role and responsibilities.

*Qualifications*

All of the members of the Committee shall be selected based upon the following, to the extent that the following are required under the applicable law: (i) each member shall be an independent director; and (ii) each member shall be financially literate. For the purpose of this Charter, the terms “independent” and “financially literate” shall have the meanings attributed thereto in Multilateral Instrument 52-110 — *Audit Committees*, as the same may be amended from time to time.

*Tenure*

Each member of the Committee shall hold office until his or her term as a member of the Committee expires or is terminated.

*Ex Officio Members and Management Attendance*

The Committee may invite, at its discretion, members of management to attend any meetings of the Committee. Any member of management will attend a Committee meeting if invited by the Committee. The Lead Director, if not already a member of the Committee, will be entitled to attend each meeting of the Committee as an observer.

### **3. Committee Operations**

#### *Frequency of Meetings*

The Chair, in consultation with the other members of the Committee, will determine the schedule and frequency of meetings of the Committee, provided that the Committee will meet at least once per quarter.

#### *Agenda and Reporting to the Board*

The Chair will establish the agenda for meetings in consultation with the other members of the Committee, the Chairman of the Board and the Lead Director. To the maximum extent possible, the agenda and meeting materials will be circulated to the members in advance to ensure sufficient time for study prior to the meeting. The Committee will report to the Board at the next meeting of the Board following each Committee meeting.

#### *Minutes*

Regular minutes of Committee proceedings will be kept and will be circulated to all Committee members, the Chairman of the Board and the Lead Director (and to any other director that requests that they be sent to him or her) on a timely basis for review and approval.

#### *Quorum*

A quorum at any meeting will be a simple majority.

#### *Procedure*

The procedure at meetings will be determined by the Committee.

#### *Transaction of Business*

The powers of the Committee may be exercised at a meeting where a quorum is present or by resolution in writing signed by all members of the Committee.

#### *Absence of Chair*

In the absence of the Chair, the Committee may appoint one of its other members to act as Chair of that meeting.

#### *Exercise of Power Between Meetings*

Between meetings, and subject to any applicable law, the Chair of the Committee, or any member of the Committee designated for this purpose, may, if required in the circumstance, exercise any power delegated by the Committee. The Chair or other designated member will promptly report to the other Committee members in any case in which this interim power is exercised.

### **4. Committee Duties and Responsibilities**

The Committee is responsible for performing the duties set out below and any other duties that may be assigned to it by the Board and performing any other functions that may be necessary or appropriate for the performance of its duties.

#### *Independent Auditor's Qualifications and Independence*

1. The Committee must recommend to the Board at all appropriate times the independent auditor to be nominated or appointed for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for Fairfax India and approve the compensation to be paid to the independent auditor.

2. The Committee is directly responsible for overseeing the work of the independent auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for Fairfax India, including the resolution of disagreements between management and the independent auditor regarding financial reporting. The independent auditor will report directly to the Committee and the Committee will evaluate and be responsible for Fairfax India's relationship with the independent auditor.
3. The Committee must pre-approve any permitted non-audit services to be provided by the independent auditor to Fairfax India or its subsidiaries, provided that no approval will be provided for any service that is prohibited under the rules of the Canadian Public Accountability Board or the Independence Standards of the Canadian Institute of Chartered Accountants. The Committee may delegate to one or more of its members the authority to pre-approve those permitted non-audit services provided that any such pre-approval must be presented to the Committee at its next meeting and that the Committee may not delegate pre-approval of any non-audit internal control related services. The Committee may also adopt specific policies and procedures relating to pre-approval of permitted non-audit services to satisfy the pre-approval requirement provided that the procedures are detailed as to the specific service, the Committee is informed of each non-audit service and the procedures do not include the delegation of the Committee's responsibilities to management or pre-approval of non-audit internal control related services. The Committee will review with the lead audit partner whether any of the audit team members receive any discretionary compensation from the audit firm with respect to non-audit services performed by the independent auditor.
4. The Committee will obtain and review with the lead audit partner and a more senior representative of the independent auditor, annually or more frequently as the Committee considers appropriate, a report by the independent auditor describing: (a) the independent auditor's internal quality-control procedures; (b) any material issues raised by the most recent internal quality-control review, or peer review, of the independent auditor, or by any inquiry, review or investigation by governmental, professional or other regulatory authorities, within the preceding five years, respecting independent audits carried out by the independent auditor, and any steps taken to deal with these issues; and (c) in order to assess the independent auditor's independence, all relationships between the independent auditor and Fairfax India and the independent auditor's objectivity and independence in accordance with the rules, policies and standards applicable to auditors.
5. After reviewing the report referred to above and the independent auditor's performance throughout the year, the Committee will evaluate the independent auditor's qualifications, performance and independence. The evaluation will include a review and evaluation of the lead partner of the independent auditor. In making its evaluation, the Committee will take into account the opinions of management and Fairfax India's internal auditors (or other personnel responsible for the internal audit function). The Committee will also consider whether, in order to assure continuing auditor independence, there should be a rotation of the audit firm itself. The Committee will present its conclusions to the Board.
6. The Committee will review with the Board any issues that arise with respect to the performance and independence of the independent auditor and, where issues arise, make recommendations about whether Fairfax India should continue with that independent auditor.
7. The Committee has the responsibility for approving the independent auditor's fees. In approving the independent auditor's fees, the Committee should consider, among other things, the number and nature of reports issued by the independent auditor, the quality of the internal controls, the impact of the size, complexity and financial condition of Fairfax India on the audit work plan, and the extent of internal audit and other support provided by Fairfax India to the independent auditor.
8. The Committee will ensure the regular rotation of members of the independent auditor's team as required by law.
9. The Committee will establish hiring policies for employees and former employees of its independent auditor.

***Financial Statements and Financial Review***

10. The Committee will review the annual audited financial statements and quarterly financial statements with management and the independent auditor, including MD&A, before their release and their filing with securities regulatory authorities. The Committee will also review all news releases relating to annual and interim financial results prior to their public release. The Committee will also consider, establish, and periodically review policies with respect to the release or distribution of any other financial information, including earnings guidance and any financial information provided to ratings agencies and analysts, and review that information prior to its release.
11. The Committee will review all other financial statements of Fairfax India that require approval by the Board before they are released to the public, including, without limitation, financial statements for use in prospectuses or other offering or public disclosure documents and financial statements required by regulatory authorities. The Committee will review the Annual Information Form and Management Proxy Circular of Fairfax India prior to its filing.
12. The Committee will meet separately and periodically with management, the internal auditors (or other personnel responsible for the internal audit function) and the independent auditor.
13. The Committee will oversee management's design and implementation of an adequate and effective system of internal controls at Fairfax India, including ensuring adequate internal audit functions. The Committee will review the processes for complying with internal control reporting and certification requirements and for evaluating the adequacy and effectiveness of specified controls. The Committee will review the annual and interim conclusions of the effectiveness of Fairfax India's disclosure controls and procedures and internal controls and procedures (including the independent auditor's attestation that is required to be filed with securities regulators).
14. The Committee will review with management and the independent auditor: (A) major issues regarding accounting principles and financial statement presentations, including critical accounting principles and practices used and any significant changes to Fairfax India's selection or application of accounting principles, and major issues as to the adequacy of Fairfax India's internal controls and any special audit steps adopted in light of material control deficiencies; (B) analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analysis of the effects of alternative GAAP methods on the financial statements of Fairfax India and the treatment preferred by the independent auditor; (C) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of Fairfax India; and (D) the type and presentation of information to be included in earnings press releases (including any use of "pro forma" or "adjusted" non-GAAP information).
15. The Committee will regularly review with the independent auditor any difficulties the auditor encountered in the course of its audit work, including any restrictions on the scope of the independent auditor's activities or on access to requested information, and any significant disagreements with management. The Committee will also review with the independent auditor any material communications with the independent auditor, including any management letter or schedule of unadjusted differences.
16. The Committee will review with management, and any outside professionals as the Committee considers appropriate, important trends and developments in financial reporting practices and requirements and their effect on Fairfax India's financial statements.
17. The Committee will review with management and the independent auditor the scope, planning and staffing of the proposed audit for the current year. The Committee will also review the organization, responsibilities, plans, results, budget and staffing of the internal audit departments. In addition, management of Fairfax India's subsidiaries will consult with the Committee, or in the case of Fairfax India's publicly traded subsidiaries, the audit committees of those subsidiaries, on the appointment, replacement, reassignment or dismissal of personnel in the respective internal audit departments.

18. The Committee will meet with management to discuss guidelines and policies governing the process by which Fairfax India and its subsidiaries assess and manage exposure to risk and to discuss Fairfax India's major financial risk exposures and the steps management has taken to monitor and control such exposures.
19. The Committee will review with management, and any internal or external counsel as the Committee considers appropriate, any legal matters (including the status of pending litigation) that may have a material impact on Fairfax India and any material reports or inquiries from regulatory or governmental agencies.
20. The Committee will review with the Board any issues that arise with respect to the quality or integrity of Fairfax India's financial statements, compliance with legal or regulatory requirements, or the performance of the internal audit function.

***Additional Oversight***

21. The Committee will establish procedures for (a) the receipt, retention and treatment of complaints received by Fairfax India regarding accounting, internal accounting controls, auditing matters or potential violations of law and (b) the confidential, anonymous submission by employees of Fairfax India of concerns regarding questionable accounting, internal accounting controls or auditing matters or potential violations of law. This will include the establishment of a whistleblower policy.

**5. Access to Advisors**

The Committee may, in its sole discretion, retain counsel, auditors or other advisors in connection with the execution of its duties and responsibilities and may determine the fees of any advisors so retained. Fairfax India will provide the Committee with appropriate funding for payment of compensation to such counsel, auditors or other advisors and for ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

**6. The Committee Chair**

In addition to the responsibilities of the Chair described above, the Chair has the primary responsibility for monitoring developments with respect to financial reporting in general, and reporting to the Committee on any significant developments.

**7. Committee Evaluation**

The performance of the Committee will be evaluated by the Governance, Compensation and Nominating Committee as part of its annual evaluation of the Board committees.