

# THE CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE (CAFII)

**Proposal to lead business research, modeling and  
strategic recommendations for special project on  
credit card balance protection insurance**

**28 March 2019**





**Private and Confidential**

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Executive Committee  
The Canadian Association of Financial Institutions in Insurance  
411 Richmond Street East, Suite 200  
Subject: RFP for CAFII Credit Card Balance Protection Insurance

March 28, 2019

On behalf of KPMG Canada ("KPMG"), we're excited to submit this proposal to the Canadian Association of Financial Institutions in Insurance ("CAFII"). We believe in your mission to represent, promote and advance the interests of your members to foster an open and flexible marketplace and are proud of our well established CAFII-KPMG relationship to date.

Credit card balance protection insurance is a valuable product that millions of Canadians depend on to protect their financial security and credit ratings during unforeseen challenges – whether they suffer a debilitating illness or sudden job loss. Despite its numerous benefits, it's clearly a nuanced and potentially complex product and, as a result, has been challenged from various sources for the ways some market participants have marketed, priced and underwritten it.

KPMG is uniquely qualified to lead the business research, modeling and strategic recommendations for such an important initiative to ensure this type of protection is properly understood by the market, media and – perhaps most importantly – regulators. We are an independent, leading business consultancy firm and proud of our long-standing and deep connections with Canada's insurance, financial services and regulatory professionals. We support numerous clients in heavily regulated sectors with similar business research needs, from industry associations like the Toronto Financial Services Alliance and Ontario Road Builders Association to numerous local regulators and government officials like the Ontario Energy Board and Government of Canada. We work with most if not all major insurance companies in Canada (P&C, Life, Health, Reinsurers and Distributors) as well as global insurance leaders. We excel at preparing robust analysis, identifying key insights and communicating these findings in polished, substantive research papers and executive-level client briefings.

KPMG is well qualified to deliver success for CAFII, which is demonstrated through our main differentiators:

- We offer a range of services to meet your project needs from end-to-end under one integrated firm approach
- Our local presence and global reach
- We are leaders in strategic planning and strategic reflections
- We are leaders in CX (customer experience)
- We know the insurance sector and
- We know public policy

Herein, we have outlined our understanding of your needs, a proposed approach to developing the key deliverables, our firm's supporting qualifications and a specific quote for our professional fees. We are prepared to begin work immediately and would look forward to collaborating with you and your staff to deliver exceptional value.

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## Our understanding of your needs

Regulators may focus increased attention on CCBPI and as a result CAFII is looking to prepare for such developments. CAFII is looking for a business consultant to perform:

1

### **Comparative international research**

Compare Canada to Australia, U.K., U.S., and Ireland, along the following dimensions: what was it about CCBPI that was of concern to regulators and consumer groups in those jurisdictions?; are those concerns the same here in Canada?; and what is different here in Canada?

2

### **Benchmarking**

Aggregate CAFII Member-supplied data into anonymized metrics across a series of dimensions (loss ratios, claims payout percentages, complaints data, cancellation levels, premiums collected, etc.).

3

### **Fact Pack**

Develop simple and easy-to-understand explanations of how CAFII Members' CCBPI products work.

4

### **Value Proposition**

Develop a detailed explanation of the value proposition of the CCBPI product to Canadian consumers; and of its shortcomings.

5

### **Strategy options, industry and proprietary**

Develop a list of what industry-level and individual company proprietary-level enhancements and adjustments could be made to possibly enhance the value proposition of the CCBPI product.

6

### **Strategy recommendations**

Develop specific, actionable recommendations on industry-level and individual company proprietary-level changes that could be implemented.

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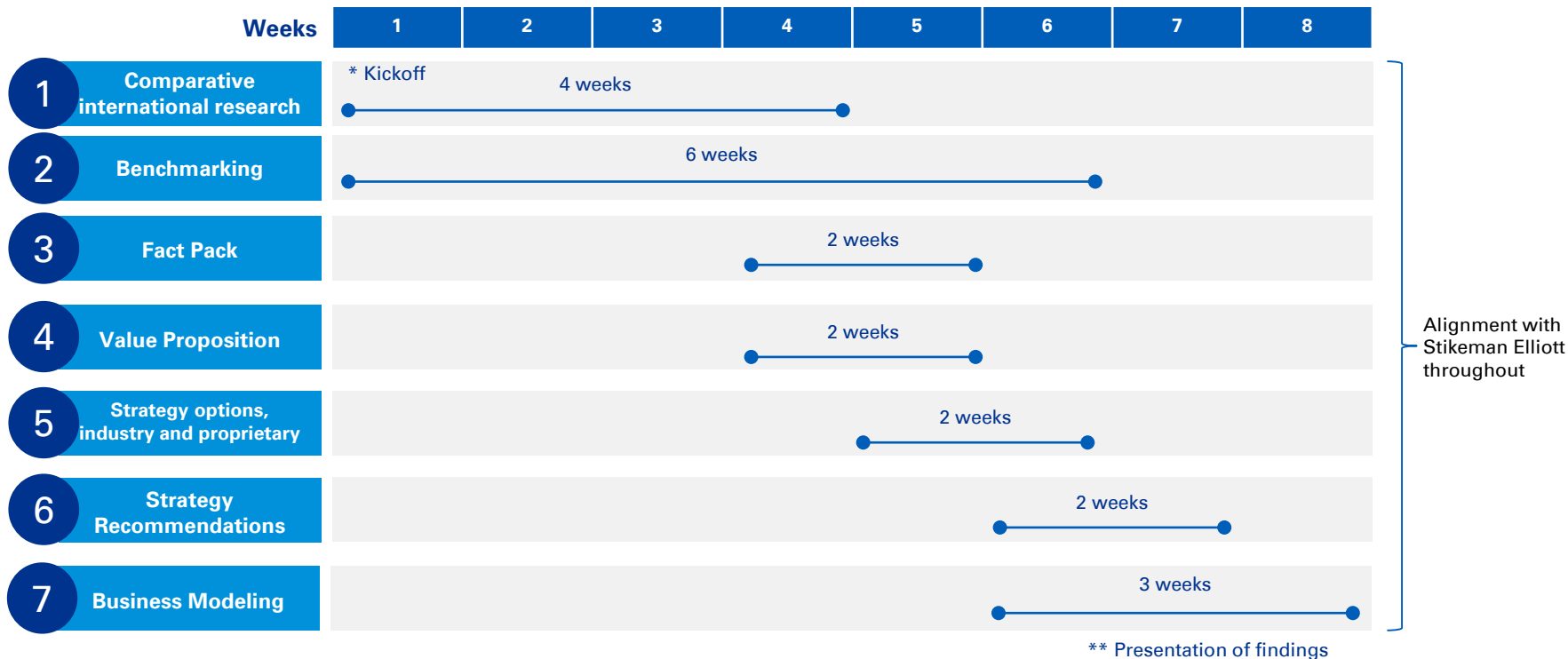
### **Business Modeling**

Identify different models of changes that could be made at an individual company proprietary-level to enhance the CCBPI product. Then model how those changes could be implemented in an institution.

## Proposed approach and timeline

We propose the following timeline to produce the desired deliverables as specified in the RFP

This timeline can be finalized during the early phases of the engagement in a collaborative workshop with CAFII stakeholders as well as Stikeman Elliott



Note (\*): We propose using a substantive kick-off process to establish how KPMG, CAFII and Stikeman Elliott would work together in developing the internationally-focused comparative research project. To meet your 8-week timeline, this meeting would be a critical success factor and allow us to move quickly and efficiently. We would endeavor to meet with you for a 2-hour kickoff meeting as soon as possible following engagement commencement. This is to ensure our understanding of your needs is accurate, discuss additional considerations regarding the purposes and ultimate uses for the paper and to review initial thinking and preliminary hypotheses. Any anticipated challenges or limitations, as well as high-level timelines, would be covered at the kickoff meeting, too.

Note (\*\*): KPMG will join Stikeman Elliott for 12 one-hour, internal presentations within the Member institutions, to present the findings of this research effort and the strategy recommendations. The presentation dates are to be determined.

# Outline and explain similarities and differences between Canada and other markets; and the consumer value proposition of CAFII members' CCBPI

1

## Comparative international research

Approach Highlights and Deliverable

We're eager to lead the business research for this special project on credit card balance protection insurance. In our experience, the key success factor for this type of research initiative is balancing (i) the need for a comprehensive evidence base that can withstand scrutiny and challenge with (ii) a straightforward, plain language document that can be internalized by diverse audiences. While regulators, the media, consumer groups and financial institutions will come to the paper from different perspectives and levels of expertise – all readers will require (and appreciate) a cogent and lucid final report that gets to the point, emphasizes key insights and minimizes jargon. Cutting through complexity is where KPMG excels. Thoughtful, rigorous and data-driven evidence, supported by carefully planned engagement with industry and market leaders, will serve as the foundation for our insightful and informed research. In our opinion, you have already identified the most comparable economies and regulatory regimes – the United States, United Kingdom, Australia and Ireland. To the extent our public source research or global consultations reveal additional jurisdictions, we would immediately highlight these for your consideration.

### Key elements of our research methodology are:

- The KPMG project team will then commence a review of available data and documentation on the paper's various topics and themes (which you outlined in detail in your RFP document) and align the workplan accordingly. We would propose a weekly teleconference between the KPMG, Stikeman Elliott and CAFII leads.
- Given timelines, and to supplement our ongoing public source research, consultations with experts across the KPMG global network and CAFII membership would be scheduled as soon as possible to develop and stress test various topics and to identify current global and national trends in the insurance sector specifically related to credit card insurance. We find that there is no substitute for direct consultation to reveal the most useful crystallization of something as important as a product's value proposition. Our proposed KPMG project team has a proven track record of designing and implementing effective stakeholder engagement processes in complex, multi-stakeholder environments that engage executive C-suites, elected officials, industry and the general public. Specifically, our team has designed and implemented effective stakeholder engagement processes for industry associations like the Toronto Financial Services Alliance and Ontario Road Builders' Association, several governments like the City of Toronto, and private equity and investors like Nieuport Aviation Infrastructure Partners, among others.
- In addition to publicly available sources, such as regulatory websites, academic research and mainstream media, KPMG has access to numerous proprietary databases and similar sources. KPMG has access to up-to-date data sources that we would leverage (refer to following page for a list of these sources). In addition to these sources, KPMG will review any of CAFII's existing research materials and publications in order to accelerate our understanding of the unique and varied roles CAFII members play. Central to the secondary research is a hypothesis-driven approach that avoids "boiling the ocean" and helps identify focus areas which are material and critical to the understanding of the activities within the insurance sector. In addition we also have access to a network of experts in the in-scope geographies.

## Proposed approach and timeline

# Outline and explain similarities and differences between Canada and other markets; and the consumer value proposition of CAFII members' CCBPI

1

## Comparative international research cont'd

Approach Highlights and Deliverable

### Key elements of our research methodology cont'd:

- We believe that for a research paper to be most effective it must provide specific and tangible examples of the subject matter under review. To this end, we would seek to categorize the variety of CCBPI arrangements and then to describe the relevant, local legislative and regulatory frameworks in concise “case study” format. With guidance from you, we would anticipate either 2-3 page profiles presented in a consistent layout. For these types of papers, a consistent framework for comparison is critical so that the research outputs are understandable to diverse audiences and useable for different purposes – such as to develop policy options. Another key purpose is to reveal where contexts are clearly not comparable or relevant for various historical, legal or market reasons.
- As described in your RFP document, to the extent feasible, we would seek to identify where this primary and secondary research could be used to inform subsequent benchmarking studies using local data and products from your members.
- To ensure the research meets your needs, we would propose to facilitate at least one workshop with CAFII executive leadership and Stikeman Elliott (and other requested attendees) to review our analysis against the objectives of the organization to produce a useful research paper that ensures all key findings and recommendations fully comply with obligations under the Competition Act.

**Deliverable:** Internationally-focused comparative research project that Outlines and Explains Similarities and Differences Between Canada and Other Markets and Describes the Consumer Value Proposition of CAFII Members' CCBPI

Indicative list of up-to-date data sources that KPMG would leverage:



# Additional details regarding our benchmarking and fact pack development approach

2

## Benchmarking study

### Approach highlights:

- Agree on benchmarking objectives with CAFII and Stikeman Elliott
- Agree on benchmarking approach (including qualitative information if any and quantitative metrics) with CAFII and Stikeman Elliott
- Agree on benchmarking participants with CAFII and Stikeman Elliott
- Agree on skeleton benchmarking report with CAFII and Stikeman Elliott
- Identify key stakeholders from participant organizations to contact
- Communicate with stakeholders from participant organizations to explain context, etc.
- Produce benchmarking questionnaire
- Send benchmarking questionnaire with participant organization key stakeholders
- Be available to participant organizations to answer questions
- Receive benchmarking results
- Ask any clarification questions
- Compile results
- Produce benchmarking report (anonymized)
- Present key conclusions

**Deliverable:** Anonymized benchmarking report and key conclusions

3

## Fact Pack: Key facts about the products and their sales/distribution

### Approach highlights:

- An effective fact pack is a strategic tool used to shape opinions and secure support for clearly defined strategic objectives. An effective fact pack and value proposition are more than a pamphlet: they are a set of coordinated actions that combine consistent information, persuasive key messages, and proactive stakeholder engagement. Taken together, these elements can result in measurable change in market sentiment.
- As with any complex market product with perceived community-level impacts, information about your members' CCBPI and the broader regulatory context are currently spread across several sources. A first step is to link this information together into a concise, brochure-length document. Key elements of our approach include:
  - Collecting information from CAFII members regarding their products
  - Doing research on the products
  - Documenting key elements of the product: features, services, pricing, distribution channels, etc.
- We believe that in addition these documents you will likely require – in potentially subsequent phases of work – a comprehensive stakeholder engagement plan, communications strategy and government relations/ public relations plan. We would look forward to discussing our ideas for these tactics in further discussions with you.

**Deliverable:** Simple and easy-to-understand Fact Pack



# Business strategy options and strategy recommendations

5

## Strategy options, industry and proprietary

### Approach highlights:

Our proven approach to strategy and strategic reflections is fact-based, highly collaborative and implementation-oriented. The proposed approach to identifying strategic options is the following:

- Leverage the results of the Comparative international research, the benchmarking (if available), the fact pack and the value proposition
- Using a workshop based approach:
  - Identify key issues, strengths, weaknesses and opportunities associated with CCBPI
  - Develop various strategic objectives / criteria to evaluate strategic options (e.g. financial impact, customer experience – target customers, regulatory, growth, etc.)
- If needed, conduct research to complete the strategic options
- Assessment and qualification / quantification of strategic options
- Document the exhaustive list of strategic options (1 page per option and information on the various criteria)
- Document gaps between current state and strategic options

**Deliverable:** Strategic options of ways to enhance the CCBPI product

6

## Final report to include strategy recommendations including possible enhancements to the CCBPI product

### Approach highlights:

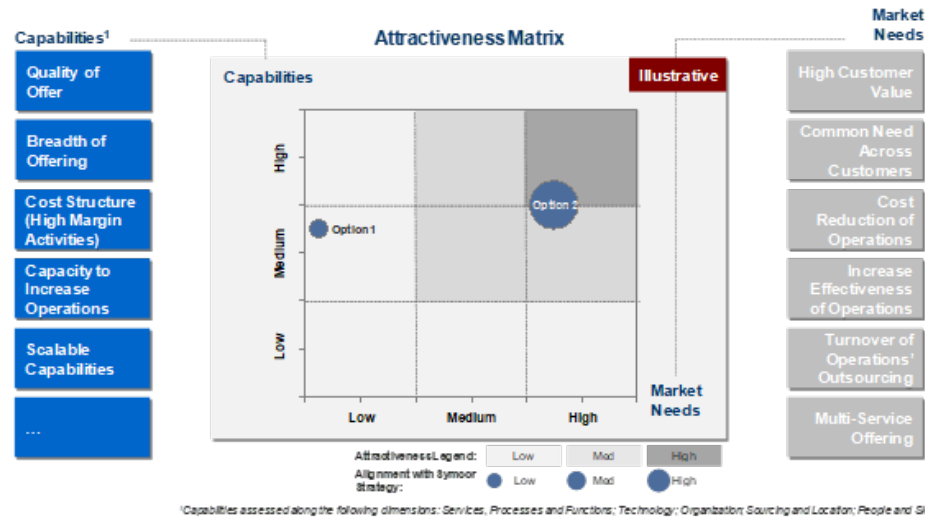
- In a workshop-based approach, KPMG would support the prioritization of the strategic options identified in step 5 (Strategy options, industry and proprietary). The graphs on the next page are examples of prioritization tools that KPMG will leverage for this engagement
- Based on the outputs of the above workshop, understand and document the implications of the prioritized strategies
- Create a high-level profile of each prioritized strategic recommendation:
  - Name of the strategic recommendation
  - Impact on customers
  - Impact on financials
  - Impact on public perception
  - High-level costs to implement
  - High-level benefits to implement

**Deliverable:** Recommendations for possible enhancements on industry-level and individual company proprietary-level

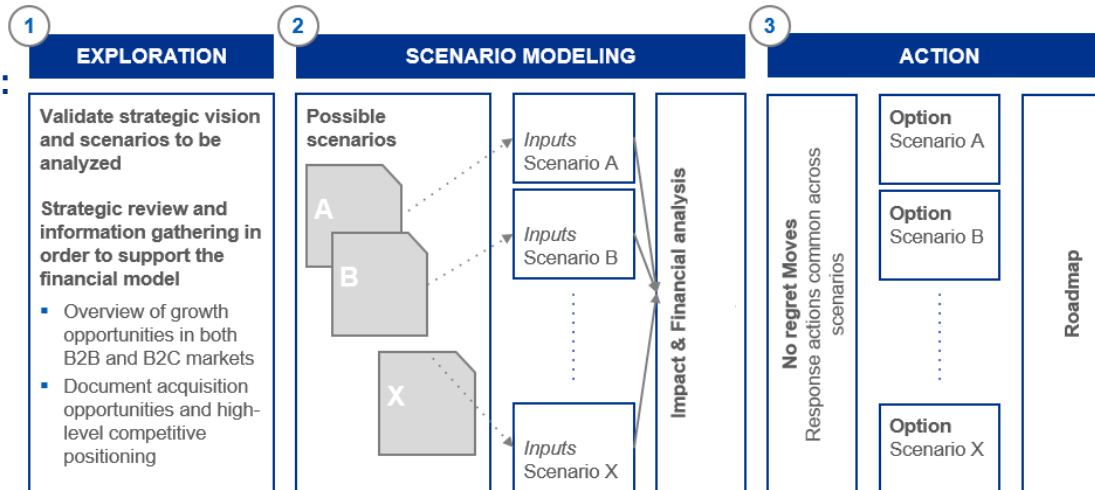
## Proposed approach and timeline

# Examples of tools that KPMG will leverage:

### Example 1:



### Example 2:



# Business Modeling

### 7 Develop different models of changes that could be made at an individual company proprietary-level to enhance the CCBPI product

#### Approach Highlights and Deliverable

##### Approach highlights:

We believe that business modeling can come in two facets: 1) product-feature related modeling and 2) modeling of other strategic options above and beyond product-specific elements. Given the ask of the RFP, we will focus on product-feature related modeling. The assumption is that this will be financial modeling performed by our actuarial practice subject matter advisors. The KPMG project team, along with CAFII and Stikeman Elliott can evaluate the need to model any strategic options above and beyond product-related elements after steps 5 (Strategy options, industry and proprietary) and 6 (Strategy Recommendations).

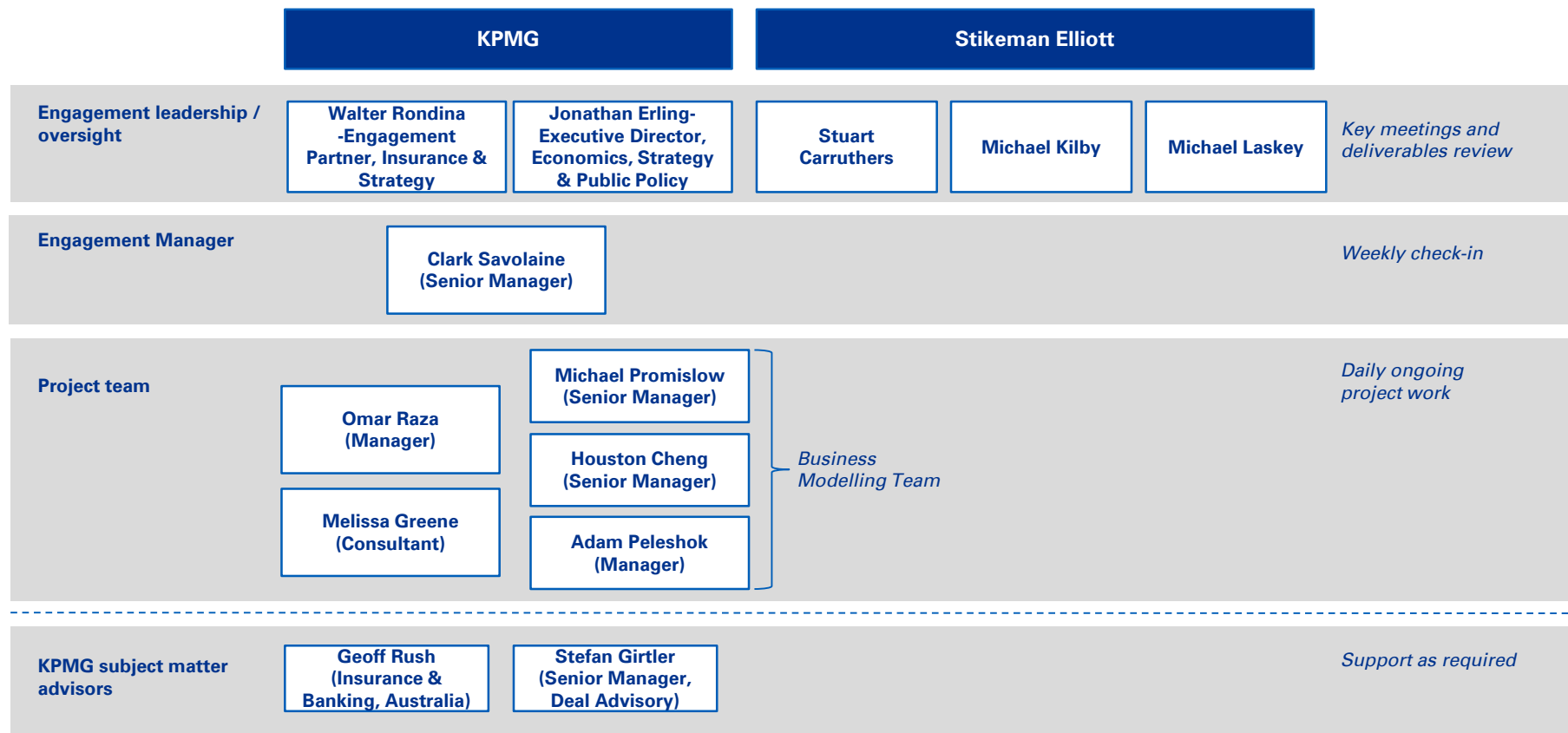
The approach for modeling product related features is the following:

- Clarify modeling objectives with CAFII and Stikeman Elliott based on outcomes of steps 5 (Strategy options, industry and proprietary) and 6 (Strategy Recommendations)
- Develop a base model that represents the current product and allows us to meet the modeling objectives (KPMG may be able to re-use elements of KPMG existing models – models already exist for various products)
- Allow for flexible / dynamic modeling to allow variation of key inputs (e.g. retention rates, pricing, coverage, etc.)
- Validate model results - Determine pricing analysis and profitability metrics
- Adjust model results as needed - Complete sensitivity analysis to determine the impact of adjusting key variables
- Present model results to CAFII / CAFII members

**Deliverable:** KPMG will provide different models of changes that could be made at an individual company proprietary-level to enhance the CCBPI product

## Our team and experience

The team will coordinate with appropriate Stikeman Elliott management



## Our team and experience

Our proposed team covers all areas of required expertise

Project team	Team member	International research	Benchmarking	Fact Pact	Value Proposition	Strategy options, industry and proprietary	Strategy recommendations	Business modeling
	Walter Rondina	✓	✓	✓	✓	✓	✓	✓
	Jonathan Erling	✓	✓	✓	✓	✓	✓	✓
	Clark Savolaine	✓	✓	✓	✓	✓	✓	
	Omar Raza	✓	✓		✓	✓	✓	
	Melissa Greene				✓	✓	✓	
	Michael Promislow					✓	✓	✓
	Houston Cheng				✓	✓	✓	✓
	Adam Peleshok					✓	✓	✓
Subject matter experts	Pierre Lepage	✓	✓	✓	✓	✓	✓	✓
	Geoff Rush	✓	✓	✓	✓	✓	✓	✓
	Stefan Girtler	✓	✓	✓	✓	✓	✓	✓

## Our team and experience

# We can leverage our vast KPMG network and our broad knowledge of the market

### KPMG NETWORK



### Who are we?

- Canadian limited liability partnership
- Established under the laws of Ontario
- Canadian member firm affiliated with KPMG International Cooperative (KPMG International), a Swiss entity
- Work shoulder-to-shoulder with our clients, integrating innovative approaches and deep expertise to deliver real results
- KPMG's roots in Canada date back to 1869
- More than 115 firms from coast-to-coast joined forces to create our current firm
- KPMG in Canada operates through four functional units—Audit, Tax, Advisory, Enterprise (Private Company Adviser)
- Our partners and professionals provide services to the public and private sectors in Canada and internationally.
- Organized along the following lines of business: Business Services; Consumer Markets; Energy; Financial Services; Industrial Markets; Technology, Media & Telecommunications; Mining; Private Equity; Public Sector; and Real Estate.
- The KPMG brand is internationally recognized for its values, approach to service delivery and commitment to quality.
- All of our clients know what to expect from our global team wherever they operate in the world. Our global presence in **152 countries** enables us to access a strong network of services, resources and people.

# KPMG key differentiators

### We offer a range of services to meet your project needs from end-to-end under one integrated firm approach:

KPMG is uniquely positioned to lead this important project given that we have all of the requisite competencies required to deliver from an end-to-end perspective. KPMG is a global network of professional services firms providing Audit, Tax and Advisory services. We operate in **152 countries** with more than **197,000 employees** and more than **6,000** employees in Canada. We have experts in insurance including actuaries (both P&C and Life/Health/Pensions), we have strategy advisors who perform strategic reflections and jurisdictional scans, we are often called upon to perform benchmarking analyses for our clients and we have business and product modeling capabilities and work in many heavily regulated sectors.

### Experience in strategy:

We have extensive experience in providing advisory projects to the Insurance industry with an in-depth knowledge of strategy. We help customers in their strategic planning exercises and strategic reflections aimed at growth, cost optimization, improving the customer experience and managing risks. We take a fact-based, collaborative and workshop based approach to strategic engagements such as your engagement

### Local Lead, global reach:

With KPMG, you have access to a strong local team that will make CAFII, its members and Canadian consumers a priority. Our Canadian advisors understand the Canadian context and market. In addition, with KPMG, you also get global reach of our member firms in more than **152 countries** including in-scope geographies (UK, US, Ireland and Australia). By leveraging our global presence, we can bring the perspective and learnings from other geographies into our analysis and make these available for this important engagement.

### We know insurance:

With KPMG, CAFII has access to resources that are proven experts in the insurance sector, from strategy all the way to execution. We have put together a senior team that can support you through this important initial phase as well as through any subsequent phases. This includes Actuarial experts in both P&C insurance and Life/Health/Pensions for any required modeling on the product features of CPPBI as well as insurance strategy advisors that work with some of Canada's largest insurer's on strategic reflections similar to those outlined in your RFP. Additionally, our Canadian insurance advisory professionals and actuaries frequently collaborate with their counterparts across the globe including in-scope geographies (UK, US, Ireland and Australia).

### Customer experience:

KPMG has a leading Customer Experience practice that can help you better understand client needs as well as the customer value proposition to best meet those needs.

### We know public policy:

Business and government leaders alike come to KPMG for support during transformational policy, regulatory and stakeholder initiatives. We're uniquely positioned to translate the public policy context, across and within borders, into practical insights that inform Client research needs and desired business outcomes.

# Qualifications

The qualifications listed below provide examples of **selected relevant projects** and highlights the knowledge, skills and expertise that KPMG can provide to support this important initiative. Refer to the detailed project descriptions in the subsequent pages.

Qualifications	1 - Research	2- Benchmark	3- Fact Pact	4- Value prop	5- Strategic options	6- Strategic recommendations	7- Business modeling
1- Ontario Energy Board	✓						
2- Toronto Financial Services Alliance	✓						
3- Ontario Centres of Excellence	✓						
4- Insurance System Replacement		✓					
5- For a new yogurt brand	✓		✓	✓	✓	✓	✓
6- Identification of non-interest-income growth strategies	✓		✓	✓	✓	✓	✓
7- Design of an operating model for a major financial institution	✓		✓	✓	✓	✓	✓
8- For a financial services business process outsourcer	✓		✓	✓	✓	✓	✓
9- IFRS 17 Transition Project							✓



# Jurisdictional Review of Natural Gas Distribution System Expansions

## CHALLENGE

**The natural gas sector is regulated by the Ontario Energy Board. The Board required substantive jurisdictional research and benchmarking to better determine leading practices for natural gas distribution system expansion.**

The Board had solicited requests from applicants for regulatory flexibility pertaining to proposed system expansion projects. To inform its review of applications, the Board required substantive research on similar expansions in comparable jurisdictions. This included identifying key similarities and differences, and potential economic models that could be applied to the Ontario context.

## KPMG'S APPROACH

The purpose and scope of our research entailed a review of similar and relevant jurisdictions (– Alaska, Connecticut, Maine, New York, North Carolina and New Brunswick) to determine if there were lessons to be learned for rural natural gas expansion, particularly with respect to the onboarding of new franchise areas and new entrants.

In undertaking this research and analysis, KPMG relied on information obtained from numerous legislative and regulatory sources, including:

- reports, presentations and orders made by local regulators;
- utility applications;
- expert testimony;
- legislative records
- regulatory websites and databases
- academic articles; and
- various submissions and advocacy pieces by industry associations and energy commentators.

## RESULTS

Our final report included:

- 6 detailed case studies on the legislative and regulatory contexts of other jurisdictions
- identification of the tools used by other regulators to achieve similar ends
- a process-oriented analysis describing regulatory decision-making
- a description of outcomes, such as any subsequent developments, if known
- comparative tables to provide a benchmarking of the key findings from our jurisdictional review

# Research paper on Toronto's financial sector and public-private partnerships

## CHALLENGE

**The Toronto Financial Services Alliance sought a research paper, based on a comprehensive jurisdictional and data review, to describe what makes the Toronto financial sector stand out from its peers with respect to infrastructure public-private partnership arrangements, and to determine what opportunities lie ahead.**

Established in 2001, TFSA is a collaboration involving three levels of government, the financial services industry and academia. Working collaboratively with industry and government, it builds international awareness of the advantages offered by the Toronto region and works with financial services companies from around the world that are exploring business opportunities in Toronto.

## KPMG'S APPROACH

To obtain a clearer understanding of the scale of these infrastructure investments globally, we analyzed transaction data covering the previous three years from several comprehensive databases, including InfraDeals, Capital IQ and the Canadian Council for Public-Private Partnerships.

We conducted interviews with market leaders, soliciting their views on Toronto's strengths and challenges as a financial hub for P3s. More importantly, we solicited input on the policy changes or market developments that could significantly enhance Toronto's market value proposition.

We summarized our jurisdictional research in 6 profiles, including London, New York, Toronto, Hong Kong, Singapore and Sydney.

Based on extensive stakeholder consultation with 14 banks, life insurers and infrastructure funds, we identified opportunities and emerging trends, which were described in a concise, public-facing "policy paper" as the format for our final report.

## RESULTS

Our final report highlighted Toronto's strength in P3 transactions and the unique roles played by the sector's banks, life and health insurers, and infrastructure funds bring to the structuring of deals, strong lender oversight and effective asset management.

The paper included various P3 funding models and approaches for best supporting government sponsors of new infrastructure projects. Key findings revealed that robust competition amongst capital providers, established access to long-term bond and bank financing, and committed fixed-rate financing have allowed for the successful completion of 270 projects in the Canadian marketplace over the past two decades.

# Connected and autonomous vehicle ecosystem: regulatory and policy jurisdictional review

## CHALLENGE

➤ **Ontario has the potential to be a global leader in connected and autonomous vehicles due to its strong history in automotive manufacturing and its world-class technology and machine learning industries.**

Market participants across industry, academia and government were aware of the significant progress in Ontario but there was not a comprehensive picture of the breadth and scale of activity and the future opportunities for connected and autonomous vehicles within the provincial legislative and regulatory context. The Client sought a well-researched, comprehensive report that would centralize this information in comparison to other competitor jurisdictions.

## KPMG'S APPROACH

KPMG helped to identify the leading global jurisdictions, priority stakeholders, and assessed the market dynamics for the connected and autonomous vehicle sector in Ontario.

KPMG worked closely with OCE to identify the key players to engage for market and business insights. KPMG conducted interviews with 20 active market participants to gain an understanding of the industry.

Desktop research was conducted in order to supplement market insights and inform the jurisdictional review of global best practices and emerging trends. 6 jurisdictions were reviewed in detail and built on KPMG's leading global publication, *Autonomous Vehicle Readiness Index*.

The information and findings were communicated based on the economic development lifecycle of research and development, commercialization, investment, scaling and escalation.

Global trends identified in the jurisdictional scan were used to inform future areas of focus in Ontario to catalyze the development of the sector

## RESULTS

The final report identified opportunities for market enhancements in Ontario and prioritized the areas of focus including open data, development of standards, efficient commercialization and opportunities for developing and retaining talent. The report also assessed:

- The interactions and partnerships between various key and supporting market participants and stakeholders;
- The activities that were occurring along the economic development pipeline in new automotive technologies;
- The drivers behind investment decisions; and
- The distinguishing strengths and opportunities in Ontario.

## CHALLENGE

A top Canadian insurer was bogged down by its current legacy systems. These systems, which were more than 30 years old, were a significant constraint in enabling growth, acquisitions, product innovation and a positive customer experience (including omni-channel interactions with customers). Wanting to maintain and improve its competitive positioning, the client decided to replace its core insurance systems. Given the significant investments required for the implementation of the new systems (\$500M+), the board of directors asked the project team to perform a benchmarking exercise for system replacement exercises for insurers (Canadian, US, UK, Australia, etc.). KPMG performed the benchmarking exercise to provide comfort to the executive team and board of directors that their investments were in line with the investments that other insurers were making.

## RESULTS

- Discussions with KPMG partners and staff from various jurisdictions who were involved in similar programs
- Discussions with clients who were willing to share information
- Research
- Discussions with solution vendors

- Scope of similar programs
- Implementation costs (including a breakdown by functional area – testing, configuration, etc.)
- Total Cost of Ownership costs (3 year, 5 year, etc.)
- Licensing costs
- Maintenance and upgrade costs
- Productivity metrics for implementation programs

A few adjustments were made in some parts of the program (e.g. the amount budgeted for Claims seemed too high and the amount for policy administration seemed too low)

# Strategy and implementation support for the massive launch of a new yogurt brand

## CHALLENGE

### Organizing the launch of a new yogurt brand, including a complete product line, in a highly competitive market in a 15 month timeline

After being the second most important yogurt producer in Canada for 40 years, the client risked losing its franchise contract in 2 years. The board requested different strategic options to overcome this problematic situation. The selected strategy was to launch a new yogurt brand and required the creation of a complete line of products

## KPMG'S APPROACH

KPMG helped to identify the different strategic options available and was also part of each key step of the development of the new brand and its product line

KPMG worked closely with the client, taking responsibility for the project's strategic management, coordinating the activities held in parallel by 7 work groups and ensuring that all relevant information of this \$70 million dollar project was communicated to the executive committee and to the board. More precisely, KPMG's responsibilities consisted of:

- Defining the optimal governance model and calendar for the project
- Coordinating and hosting 5 of the 7 work groups (extension of the product line, marketing plan, sales plan, targeted marketing, human resources)
- Building tools and conducting analysis necessary for decision making in order to accelerate the operation and to ensure strategic harmonization
- Preparing the deliverables for the executive committee and the board and supporting the executive team during important presentations
- Presenting a weekly and monthly reports to the executive committee and to the board in order to measure the progression, to signal potential issues and to support important decisions

## RESULTS

The launch of the brand in August 2012 is considered as one of the most important in the last 5 years in its category

Launch realized in a record timeline:

- Only 15 months to launch the new complete product line (including 7 categories of milk products and more than 40 different SKUs)

The product is already a big commercial success

- Many awards have been given by the industry
- Brand awareness is already above 70%
- Brand is already one of Canadians' 'favorite yogurt brands'

# Identification of non-interest-income growth strategies and development of supporting business cases

## CHALLENGE



**The client wished to grow its non-interest income top-line, through the expansion of its current service offering and addressable market**

The client was looking for innovative ways to grow its top-line, without charging its customers any unnecessary fees. The client wished to assess new market and new business opportunities, supported by complete business cases

## KPMG'S APPROACH

KPMG worked with executives and their respective teams in order to accomplish the following:

- Identification of long-list of potential growth opportunities (market, product / service)
- Assessment of alignment and feasibility of each opportunity with client's global strategy, and prioritization of opportunities for high-level business case exercise
- Definition of high-level business cases for shortlisted opportunities
  - Assessment of potential market
  - High-level cost-benefit analysis
  - Alignment with core competencies
- Workshop to drive the selection of opportunities to comprise the growth strategy portfolio
- Creation of detailed business cases to support the growth strategy
  - Detailed market study
  - Business model and operating model definition
  - Identification of potential partners
  - Full risk assessment, including impact on current business
  - Financial considerations, including break-even analysis

## RESULTS

A portfolio of growth strategies with supporting business cases, approved by the board of directors

- KPMG assisted in the identification of a portfolio of growth opportunities totaling top-line revenues of \$80M
- For each opportunity, KPMG provided a clear picture of the potential market, the market entry strategy, the details of the operating model, and the resulting P&L

# Design of a lower cost (digital) operating model for a major financial institution

## CHALLENGE

### The financial institution was facing disruption from a more agile, non-traditional competitor

The competitor, who was a digital bank, was offering a very high-interest savings account that traditional brick-and-mortar financial institutions were unable to compete with given their heavy cost structures. Our client was constrained with a siloed culture, a legacy and duplicated IT environment, and a large proportion of manual processes to support business operations. In order to compete, our client wanted to define a lower-cost, digital operating model, leveraging internal core competencies from the brick & mortar institution

## KPMG'S APPROACH

KPMG assisted the client in the definition of its Target Operating model:

- Facilitated workshops in order to map a canvas of the current state of the organization across the following areas: distribution channels, marketing and innovation, sales and service, operations, technological support, shared services
- Identified capabilities and pain points across the following areas: services, processes and functions, organization, technology, sourcing and location, performance management, core competencies
- Performed an industry scan leveraging KPMG's expertise and network in order to identify market leading practices
- Defined a Target Operating Model for the new lower-cost, digital bank, highlighting gaps between the current and target states
- Prioritized initiatives required to close the gaps on the basis of cost, benefit, feasibility and risk, and defined an implementation roadmap
- Created a complete business case (including the P&L) for the new operating model

In addition, KPMG supported the implementation of certain resulting initiatives

- Support for the selection of a new core banking platform (definition of business and technical requirements, creation of qualitative and quantitative evaluation models for the selection of potential suppliers, definition of requirements and scenarios for supplier demonstrations)

## RESULTS

The definition of KPMG's operating model and creation of the underlying business case highlighted the key areas where cost takeout was required

- Cost savings were possible through the reduction of required staff in exchange for the use of more modern technology (25% savings in technology costs alone)
- These savings were required to ensure profitability of the business case, leading to board approval and the eventual launch of the digital bank

# Identification and implementation of growth strategies for a financial services outsourcer in a declining market

## CHALLENGE

**A large printing and cheque processing outsourcer in the financial services sector was looking to diversify its revenues due to declining volumes in its core business lines**

Its objectives were to identify potential growth opportunities in new and adjacent markets to replace 150M in declining revenues over a 5 year period

## KPMG'S APPROACH

### Growth Opportunity Identification

- Identification of potential growth opportunities in new and adjacent markets – an opportunity was identified in the insurance market
- Assessment of potential market, estimating volumes and outlining the potential revenues for the new venture (full business case)

### Business Model, Target Operating Model (TOM) Definition and Gap Analysis

- Definition of value proposition for new venture, and validation of offering with industry players
- Definition of target operating model for BPO offering (people, process, technology)
- Identification of gaps with current state and design of implementation roadmap with associated costs & risk analysis
- Definition of the business model for the launch of the new venture (full market assessment, identification and selection of potential partners, definition of roles and responsibilities, supporting P&L)

### Claims Handling and Policy Administration System Selection

- Definition of claims handling, policy administration and billing requirements
- Analysis of potential partner landscape, and definition of partnership structure for the selected partners

## RESULTS

- Full business case, highlighting revenues, costs, and partners required to launch the new venture
- Clear business structure, outlining the value proposition and the supporting operational structure (with clear roles and responsibilities for each partner)
- Approval from the board, and a project that is currently undergoing implementation by the client



# Actuarial modeling for IFRS 17

## CHALLENGE

**Faced with the move to IFRS 17, many of KPMG's clients are aiming to get a better understanding of how these changes will impact their book of business and their financials**

Its objectives were to facilitate understanding and decision making in order to optimize the financial position in adoption of the new standard

## KPMG'S APPROACH

KPMG built financial modeling tools for P&C, Life/Health and Reinsurance to show how financials will change by varying different inputs. Clients are able to model various product lines and financial statements. KPMG also works collaboratively with clients to improve the models and to educate clients on how to use the models so that they can continue to use them even after the KPMG engagement.

KPMG engaged clients in interactive workshops to help educate them on the particular aspects of the standards and to provide a basis for decision making.

Provide an integrated solution by partnering with our Management Consulting group so that changes to data management and financial reporting were made in a coordinated and efficient manner.

## RESULTS

- Clients gained a better understanding and appreciation of the standard
- Clients were able to use the tool to determine the financial impact of various implementation choices
- Necessary changes to data management and financial reporting were implemented in an smooth and integrated manner.

## Our professional fees

# Indicative project fees based on proposed timeline

We are committed to ensure that our professional fees remain competitive, while maintaining high quality standards. Based on the approach and calendar described before, we estimate our professional fees to be **\$125,000 - \$188,975** over an **8 week period**. Outlined below is a summary table of the estimated fees:

Deliverable	Low range effort (in hours)	Low range fees	High range effort (in hours)	High range fees
1) Comparative international research (Note <sup>a</sup> )	130	\$ 31 375	190	\$ 44 875
2) Benchmarking (Note <sup>b</sup> )	118	\$ 25 475	118	\$ 25 475
3) Fact Pack	38	\$ 8 700	38	\$ 8 700
4) Value Proposition	56	\$ 12 475	56	\$ 12 475
5) Strategy options, industry and proprietary	46	\$ 11 225	46	\$ 11 225
6) Strategy Recommendations	46	\$ 11 225	46	\$ 11 225
7) Business Modeling (Note <sup>c</sup> )	118	\$ 50 000	176	\$ 75 000
8) 12 one-hour internal presentations	30	\$ 0	30	\$ 0
<b>Total including fee for benchmark</b>	<b>582</b>	<b>\$ 150 000</b>	<b>700</b>	<b>\$ 190 000</b>
<b>Total excluding fee for benchmark</b>	<b>464</b>	<b>\$ 125 000</b>	<b>582</b>	<b>\$ 165 000</b>

Note <sup>(a)</sup>: A low range effort would consist of a 25 page research report, whereas a high range effort would consist of a 50 page research report.

Note <sup>(b)</sup>: A low range effort is if the benchmarking component is outsourced to a separate firm, whereas the high range effort would be if KPMG performed the this component.

Note <sup>(c)</sup>: A low range effort would consist of a 2 financial models, whereas a high range effort would consist of a 4 financial models.

Note <sup>(d)</sup>: If specific or complementary analyses are needed during the mandate, a cost estimate will be submitted before the work is carried out. All fees and other charges above do not include any applicable federal, provincial, or other harmonized sales taxes or duties whether presently in force or imposed in the future. Any such taxes or duties shall be assumed and paid by CAFII without deduction from the fees and charges hereunder. An additional 7% technology fee will be charged over and above the professional fees, along with applicable taxes. Additional expenses such as travel and meals costs will be billed at cost, as well as applicable taxes.



# Appendix - Team

# Walter Rondina

## Partner - Insurance Strategy



### Walter Rondina

Partner

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### Function and Specialization

Walter is a Partner in our Insurance Advisory Practice. He specializes in strategic reflections to accelerate growth, optimize profitability, improve the customer experience and mitigate risks. He is an industry hire who worked in the Strategy team of a Top 3 P&C insurer prior to joining KPMG.

### Languages

English, French

### Education, licences & certifications

- Bachelor of Computer Science, Concordia – University
- MBA, John Molson School of Business (Concordia University)

### Background

Walter Rondina is a Montreal-based partner in KPMG's Management Consulting team. He leads KPMG's strategy consulting services for the insurance sector (serving P&C insurers, Life/Health insurers, reinsurers, distributors including brokers, MGAs and TPAs). He has over 15 years of consulting and project management experience and has deep experience in enterprise / operations transformation, leading strategic reflections and managing large, complex transformation programs. He has helped clients with their strategic reflections / transformations aimed at accelerating growth, optimizing costs, improving the customer experience and managing risk / compliance.

### Professional and Industry Experience

Walter has extensive experience in the insurance sector where he has led projects from corporate strategy through to operationalization / implementation. His experience in the insurance sector includes: strategic planning, strategic reflections, benchmarking, jurisdictional scans, system/vendor selection, growth strategy, new product introduction, cost optimization, customer experience optimization and value proposition development/improvement.

He also has extensive experience leading strategy exercises and strategic reflections and has worked for public sector clients in insurance.

### Representative engagements within the past 5 years

- Canadian P&C insurer – Corporate Strategy & business model definition: Walter led an engagement to help a client define their Operational Excellence business model transformation which had impacts throughout the value chain: strategy, customer segmentation strategy, pricing strategy, product mix, distribution channel strategy, operating model & capabilities (UW processes, IT, Claims processes, etc.)
- Canadian P&C insurer – Small business strategy: Walter supported a leading Canadian insurer in defining its strategy for very small business / small business insurance (target segments, value proposition, distribution strategy, IT, processes, data).
- Regional Canadian P&C insurer – Corporate strategy: Walter supported the client to develop its corporate strategy including setup of its direct insurance business (phone / web / mobile). Walter played a key role in the strategic reflection and facilitation portion of the strategy planning exercise (diagnostic including internal and external / market analysis, orientation, action plan). He was also the program manager for the 3-year transformation program that followed. The transformation program included 4 work-streams with over 15 projects aimed at accelerating growth, reducing costs and improving the customer experience. Walter was involved in setting up the business plans for the largest projects within the program (e.g. launch of the new direct insurance company)
- Canadian P&C insurer – Telematics strategy: Walter helped define and implement the client's telematics (usage-based insurance) strategy. This included market analysis, jurisdictional scan, strategy definition, value proposition definition, solution design, vendor selection and marketing strategy.
- Canadian P&C insurer – White label strategy: Walter helped the client define and implement its white label strategy: jurisdictional scan, value proposition development, risk sharing, strategic options (e.g. white label vs joint venture), business plan development, launch preparation, process and system impacts
- International insurer – Personal lines manufacturing strategy: Walter supported the client in refining their personal lines manufacturing strategy: jurisdictional scan, Canadian market scan, strategic options, recommendations, high-level benchmarking

# Jonathan Erling

## Executive Director – Infrastructure



### Jonathan Erling, P.Eng.

*Executive Director*

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### Function and Specialization

Jonathan is a member of the Global Infrastructure Projects Group specializing in the energy and regulated utility sectors.

### Education, licences & certifications

Jonathan graduated from the University of Western Ontario with a Bachelor of Engineering Science (Mechanical Option). He also has an M.B.A. in Finance from the University of Toronto.

### Background

Jonathan Erling is an Executive Director in the Infrastructure Advisory practice in KPMG's Toronto office and he leads the firm's internal network of economic advisors. He has over 26 years of advisory experience with KPMG. Jonathan specializes in energy and utility economics, regulatory issues, statistics, and forecasting. He also provides financial modelling, cost allocation and strategic planning services for utility and public sector clients.

### Professional and Industry Experience

Jonathan has provided expert testimony at the Ontario Energy Board (OEB), the Manitoba Public Utility Board (PUB) and the Island Regulatory and Appeals Commission (PEI). He has acted as Board Consultant for the Nova Scotia Utility and Review Board (NSUARB).

He is a member of Professional Engineers Ontario, the International Association of Energy Economists, and the Toronto Association of Business Economists.

### Representative engagements within the past 5 years

- Insurance / Risk Assessment
- New Brunswick Insurance Board-Impact of Insurance Cost Increases.
- Manitoba Public Insurance — Review of Cost Allocation Approach.
- Surety Association of Canada—Measurement of the Benefits of Surety Bonding.
- Insurance Corporation of British Columbia—Economic Assessment of Collision Cost Increases.
- Legal counsel to the Department of Justice—Quantification of Damages.

### Jurisdictional Reviews

- CAMPUT — Alternative Approaches to Regulation.
- Ontario Energy Board-Jurisdictional Review of Natural Gas System Expansion.
- Ontario Energy Board- Review of Models for Consumer Representation and Adjudicative Decision-Making.
- Ontario Energy Board- Jurisdictional Review of Policy Options for Funding Capital Investment.
- Ontario Ministry of the Environment-Regulatory Impacts.

### Regulatory Support

- New Brunswick Power—Overhead Capitalization and Corporate Cost Allocation.
- Nova Scotia Utility and Review Board— Wholesale Gasoline Margins.
- Direct Energy— Identification of Stand-Alone Costs.
- Union Gas – Cost Allocation—
- Ontario Energy Board- Review of Models for Consumer Representation.
- Manitoba Hydro – Financial Target Review –
- Port of Algoma — Risk Assessment of Alternative Transportation Modes.

# Clark Savolaine

## Senior Manager- Economics Practice



### Clark Savolaine

Senior Manager

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### Function and Specialization

Clark is a Senior Manager in KPMG's Advisory practice. He specializes in economic, fiscal and infrastructure policy analysis and strategy development. Clark's clients include government decision-makers at all three levels across the country.

### Languages

English

### Education, licences & certifications

MSc., London School of Economics, 2005  
B.A., Washington and Lee University, 2003

### Background

For the past 15 years, Clark has provided robust business analysis and strategic policy advice to corporate leaders and government officials alike in heavily regulated sectors of the economy. Clients often describe his research reports, options analysis and recommendations as insightful, clearly written and substantive. He is a dependable project manager.

Clark has a Master's of Science from the London School of Economics and is proficient in public policy and econometrics. He is a member of the Toronto Association of Business Economists, Toronto Region Board of Trade Infrastructure Committee and has served as an advisor and project manager for senior officials across Canada, the United States and Caribbean.

### Professional and Industry Experience

Clark has extensive experience in jurisdictional research, policy analysis and regulatory affairs. His business consulting skill set includes:

- Strategic thinking, policy development and policy implementation
- Leading extensive stakeholder consultations on complex policy topics
- Evaluating cost-benefit trade-offs and performing value-for-money analysis
- Performing detailed jurisdictional reviews and international benchmarking
- Defining expected quantitative and qualitative benefits
- Designing and leading executive-level workshops

### Representative engagements within the past 5 years

**Toronto Financial Services Alliance, Public-Private Partnerships Policy Paper (2018).** KPMG prepared a policy paper on the role that Toronto's financial services sector plays in making the City a global P3 hub. The paper included various P3 funding models and approaches. Clark led the engagement, which included extensive stakeholder consultation with banks, insurers and infrastructure funds.

**Ontario Centres of Excellence, Autonomous Vehicles Innovation Network Ecosystem Analysis (2018).** Clark led the stakeholder engagement workstream and developed the stakeholder engagement strategy to assist in developing a current state assessment of the Connected and Autonomous Vehicle ecosystem in Ontario. The purpose of the program review was to identify opportunities for further support in developing the C/AV ecosystem and to drive growth of this globally competitive sector.

**City of Toronto, Revenue Options Study (2016).** Clark led a team that examined the Ontario legislative and regulatory framework to provide a comprehensive assessment of potential revenue tools (e.g., taxes, fees and levies) permitted under current laws to fund the City's planned infrastructure investments. The purpose was to evaluate long-term funding options for the City's stable implementation of transportation capital projects.

**Ontario Energy Board, Jurisdictional Benchmarking of Economic Tests Used in Natural Gas System Expansions (2015).** The OEB retained KPMG to provide advisory services to help in determining best practices for long-term funding of natural gas distribution system expansion in rural areas. This work included an evaluation of alternative funding models and economic tests used by regulators to best provide for stable, long-term funding for Ontario's programs and support expansion of rural natural gas access.

# Omar Raza

## Manager - Global infrastructure



### Omar Raza

Manager

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### Function and Specialization

Omar is a Manager in the Global Infrastructure within KPMG's Advisory Services. Omar has seven (7) years of experience in project management, identifying strategic opportunities and stakeholder management.

### Languages

English, French

### Education, licences & certifications

Master of Laws in Business Law, Osgoode Hall Law School  
Bachelor of Laws, University of Windsor  
Bachelor of Science (Honours) in Behaviour, Cognition and Neuroscience  
Barrister and Solicitor, Law Society of Upper Canada

### Background

For the past 8 years, Omar has led strategic projects in the areas of opportunity definition, market research, and the evaluation of historical and current agreements and requirements. He has supported clients in collecting and evaluating information about potential partners.

Omar has extensive experience working with stakeholders and coordinating large and multi-track consultations. He has conducted market assessments in order to provide advice and recommendations about the strategic opportunities for his clients.

Omar is a lawyer and practiced in the area of corporate law and real estate. He has a Master of Laws in Business Law in which he examined board effectiveness and corporate re-organizations in order to enhance business outcomes, profitability, and long-term sustainability.

### Professional and Industry Experience

Omar has extensive experience in project management, stakeholder engagement, policy analysis and business case development. His business consulting experience includes:

- leading initiatives to align client needs and service offerings with the return-on-investment analysis and internal or public reporting
- supporting the development of evaluation criteria to be applied to tailored methodologies in order to attain short, medium and long-term public policy objectives
- facilitating large, multi-track consultations with stakeholders and project partners

### Representative engagements within the past 5 years

#### **Ontario Centres of Excellence – Connected and Autonomous Vehicle Ecosystem (2018).**

OCE is responsible for the administration of the Autonomous Vehicle Innovation Network and retained KPMG to map and identify the connected and autonomous vehicle ecosystem. Omar was the lead author for the final report and coordinated with the team to conduct an extensive series of stakeholder interviews, surveys and an international jurisdictional review to inform the findings of the final report.

#### **Toronto Financial Services Alliance – Public – Private Procurement – (2018).**

KPMG completed a benchmarking study to understand the position of the City of Toronto as a cluster for P3 transactions to inform the understanding of the trends and innovation within the P3 market, international, national and local financial services and insurance companies were surveyed for their insights. Omar supported the research and writing of the report that identified Toronto as a centre for P3 excellence.

#### **Confidential Investment Client – Affordable Housing International Comparator Research Paper (2018).**

The Client was exploring opportunities to further understand the mix of housing, community plans, community benefits, ownership models, and key risks for affordable housing redevelopments across Canada. Comparable research focused on a large redevelopments of over 100 acres that were analogous to the target site acquired by the client.

#### **Confidential International Registry Provider – Alternative Service Delivery for Registry Services (2017).**

KPMG conducted an international jurisdictional scan to understand the leading practices for the delivery of registry services. Omar led and oversaw the development of the policy paper through an agile and dynamic review process with the client due to the changing environmental of the subject area.

# Melissa Greene

## Consultant - Operations



### Melissa Greene

*Management Consulting, Operations*

#### KPMG

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#### Function and Specialization

Melissa is part of KPMG's MC Operations team. Her clients are from both the private and public sectors and operate in a variety of industries, including retail and banking.

#### Languages

English, French

#### Education, licences & certifications

BComm, Concordia University  
Graduate Certificate in Public Accountancy,  
Concordia University  
Member of the Quebec Chartered  
Professional Accountants Order

#### Background

Melissa is a part of KPMG's Management Consulting Operations team. She is based out of the Montreal office and is fluent in both English and French. Melissa has over 4 years of experience working as an auditor with large public and private clients in a wide range of industries. Her role as a Senior in Charge consisted of performing risk assessments, executing control testing and substantive procedures while ensuring compliance with IFRS, U.S GAAP and ASPE. While her mandates always required a strong technical skillset and attention to detail, her leadership role also enabled her to develop strong project management skills to meet tight deadlines while ensuring high quality deliverables from her team. Melissa leverages her deep understanding of her client's businesses and her passion for delivering operational excellence to come up with strategic and innovative recommendations for complex business problems.

#### Representative Experience

##### Confidential Investment Client

Strategic planning and valuation for a firm seeking financing for growth and expansion targets in the senior residence market. Melissa was responsible for producing two main deliverables (Confidential Information Memorandum and a two page Teaser) and for ensuring smooth communication points between all key stakeholders.

##### Technology Leader in the Engineering Sector

Melissa was in charge of managing a team performing revision of accounting methods to reflect change in revenue recognition and lease standards. She delivered business process recommendations to ensure the company's financial statements were presented fairly and the control environment was SOX compliant.

##### International Bank

Designed operating effectiveness test plans for controls in a global organization in order to comply with reporting and regulatory purposes and ensuring data integrity. She was responsible for performing detailed analysis and presenting a high level deliverable to executives to ensure efficiency in the problem solving process.

##### Manufacturing and Distribution Industry:

Melissa optimized control processes for high risk areas within the organization through the analysis and mapping of key procedures in order to mitigate both the possibility of fraud and error.



# Michael Promislow

## Senior Manager and Consulting Actuary



### Michael Promislow

Senior Manager & Consulting Actuary  
Life & Pensions Actuarial Practice

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### Function and Specialization

Life Insurance Valuation and Financial Reporting, Business Planning, Risk Management, Internal Audit, External audit, Life Insurance taxation, GGY AXIS

### Languages

English

### Education & Certifications

Fellow, Society of Actuaries  
Fellow, Canadian Institute of Actuaries  
Volunteer: SOA Examination Committee

### Background

Michael is a Consulting Actuary at KPMG in the Life & Pensions Actuarial Practice.

He is an experienced actuary who has worked in a variety of actuarial capacities both in the public and private sector. He specializes in Appointed Actuary work, focusing on Canadian financial reporting, business modeling and sensitivity analysis for Life Insurance companies, Creditor Insurance Companies and Workers Compensation Boards. He has worked on preparing year-end financial statements and supporting disclosures, providing internal management information and analysis and determining external capital requirements. He has experience working with the new Canadian Capital regime (LICAT) as well as analyzing and advising on upcoming changes to actuarial accounting standards (IFRS 17). He has excellent system and data management experience, having extensive experience working with GGY's AXIS, including liability modeling, Canadian reserving (CALM) calculations and Datalink functionality.

### Representative Experience

#### Life Insurance Financial Reporting

- Managed various financial reporting responsibilities to support the work of the Appointed Actuary, including quarterly and annual capital filing and year-end disclosures for Financial Statements and Appointed Actuary report.
- Developed and managed Source of Earnings reporting process for Life insurance products.

#### External Audit Manager – Life and Health Insurers

- Managed actuarial audit for several insurance entities
- Clients include: Canadian and Caribbean based Life Insurers, Canadian provincial Workers Compensation Boards.
- Audited key assumptions and inputs, actuarial models and accuracy of reported values. Provided written reports to audit partner.
- Reviewed initial LICAT submissions. Advise clients on implementation issues relating to consistency with OSFI Guideline.
- Provided review and signoff to audit team attesting to the reasonableness and sufficiency of the Annual return and public sensitivity disclosures for a large Canadian life insurer

#### Life Insurance Accounting Standards

- Knowledgeable regarding IFRS 17 standard and industry issues.
- Advised clients on IFRS 17 transition requirements and modeled impact for particular blocks of business.
- Participated in cross functional team for implementation of Fair Value Accounting and adoption of IFRS reporting standards.

#### Business Planning and Risk Management

- Built line of business financial models to project income, balance sheet and Canadian capital requirements.
- Advised international clients on Canadian reserving and capital requirements
- Adapted models to test significant sensitivities and adverse scenarios (DCAT)
- Managed quarterly sensitivity testing and capital adequacy testing programs

#### Life insurance Taxation

- Provided oversight and analysis regarding new personal insurance tax regulations to assist client in updating their in-force management and illustration systems.
- Provided actuarial support to taxation area with respect to ongoing CCRA tax audits and financial reporting. Responsible for quarterly and annual actuarial tax reporting requirements.

# Houston Cheng

## Senior Manager & Consulting Actuary



### Houston Cheng

*Senior Manager & Consulting Actuary*

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### Function and Specialization

Houston is an actuary in KPMG's Canadian Insurance Practice. His area of focus is providing actuarial advisory services to insurance entities. He is appointed actuary, peer reviewer, and audit actuary to a diverse group of clients in Canada.

### Languages

English, Cantonese, French

### Education & Certifications

Fellow of the Canadian Institute of Actuaries (FCIA)  
Fellow of the Casualty Actuarial Society (FCAS)  
B.Math, University of Waterloo

### Background

Houston has been part of KPMG's Canadian Property & Casualty (P&C) Actuarial Practice since 2003. Houston is experienced in providing actuarial advisory services to a wide variety of insurance entities, and is knowledgeable on insurance regulatory and governance issues. He is appointed actuary to four companies, including the Alberta Motor Association Insurance Company (AMAIC) and New Home Warranty Insurance (Canada) Corporation (NHWIC). He is also peer reviewer and audit actuary to various insurers. Houston is an actuary who excels at communication and is a frequent speaker on actuarial and emerging insurance topics. He is also author of various reports on P&C insurance topics. Houston is an active volunteer, and serves in a leadership capacity with various actuarial organizations. Since 2014, Houston has been teaching an actuarial course on the fundamentals of P&C actuarial reserving concepts at the University of Toronto.

### Highlights of professional and industry experience

- Actively involved in current IFRS17 engagements
- Organization of educational material for Canadian actuaries on IFRS17
- Lead author of the Automobile Insurance Transparency and Accountability Expert Reports prepared for the Ontario Ministry of Finance, providing both quantitative and qualitative review of the progress from auto insurance reforms
- Co-author of report for the Insurance Bureau of Canada, analyzing industry profitability for Ontario private passenger automobile insurance
- Appointed actuary to AMAIC, NHWIC, Allied World Specialty Insurance Company (Canadian Branch), and the Alberta School Boards Insurance Exchange
- At the CIA, Chair of P&C Financial Reporting Committee and the P&C subcommittee of the Continuing Education Committee

### Technical skills

- Obtained significant regulatory experience from 12-month secondment at the Office of the Superintendent of Financial Institutions
- Provide reserving, DCAT and pricing actuarial analysis for P&C insurance companies

### Speaking engagements

- Various IFRS17 updates
- Introduction to IFRS17 for actuaries at CIA/CAS webinar (May 2018)
- Impact of sustainability on P&C insurance at CAS Spring meeting (May 2017)
- Trends in P&C insurance at KPMG annual insurance conference (December 2016)
- Implications of sharing economy on insurance at CAS In Focus seminar (October 2016)
- Various seminars on auto insurance in the era of autonomous vehicles (2015-2016)
- Various seminars on water damage risk and Canadian property pricing (2013-2014)

### Other activities

- Past Chair of the Board of Directors of Toronto City Mission
- Treasurer and Member of the Board of Directors of the Ontario Prayer Breakfast
- Treasurer of Pacific Rim Actuaries' Club of Toronto

# Adam Peleshok

## Manager & Consulting Actuary



### Adam Peleshok

Manager & Consulting Actuary

#### KPMG LLP

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#### Function and Specialization

Adam is a Manager in KPMG's Canadian Insurance Practice focusing on IFRS 17, appointed actuary support, internal audit and mortgage insurance

#### Languages

English

#### Education, Licenses & Certifications

Fellow of the Casualty Actuarial Society (FCAS)

B.Math in Honours Actuarial Science/Statistics Minor, University of Waterloo

#### Background

Adam is a manager in the Canadian P&C insurance practice of KPMG. He assists insurance companies, audit clients, and industry stakeholders with:

Financial reporting and actuarial valuation of policy liabilities, including modelling of IFRS 17 impacts;

Risk and capital management functions associated with Dynamic Capital Adequacy Testing (DCAT);

Internal audit support of actuarial functions; and

Insurance industry research reports.

Adam has industry experience in valuation, financial projections, and funding with both collective and self-insured employers. Prior to joining KPMG, Adam held the position of actuarial associate at the Workplace Safety & Insurance Board (WSIB) from 2004 to 2012.

Adam has been with KPMG since 2012. He is a Fellow of the Casualty Actuarial Society.

#### Professional and Industry Experience

- Member of the Canadian KPMG IFRS 17 modelling team
- Provide actuarial analysis of loss reserves and DCAT to a range of property and casualty multi-line and specialty-line companies, including Appointed Actuary Reports
- Participant in the first collaborative insurtech project at Cookhouse Lab with peers, partners, and start-ups in the insurance industry
- Project and resource co-ordination for over 70 audit clients
- Audit support of actuarial estimates of policy liabilities
- Extensive involvement in actuarial analysis for home warranty programs and mortgage insurance
- Provide internal audit support of various actuarial groups within insurance entities, including Sarbanes-Oxley compliance
- Developed a ground-up valuation model for the WSIB
- Performed and analyzed projections of senior management strategic initiatives for setting premium rates and controlling the unfunded liability.
- Experience in working with public entities
- Support the external review process of appointed actuaries valuation reports
- Developed models and templates used in various actuarial analyses
- Researcher and writing contributor to the CIA Research Paper on Water Damage Risk and Canadian Property Pricing

#### Representative Clients

Allied World Specialty Insurance Company, Genworth Financial Canada, Insurance Bureau of Canada, TD Insurance, Fairfax Financial



# Appendix - Subject Matter Experts

# Geoff Rush

## Partner - Management Consulting



### Geoff Rush

*Partner, Management Consulting*

KPMG Canada  
333 Bay Street, Suite 4600  
Toronto ON M5H 2S5  
M 416 454 8324  
T 416 777 3918  
geoffrush@kpmg.ca

### Education & Certifications

MBA, Melbourne Business School  
MA, University of Melbourne  
BA, University of Western Ontario

### Background

Geoff is a Partner in KPMG's Management Consulting practice based in Toronto. He recently joined KPMG Canada from KPMG's Financial Services practice in Australia. Geoff has over 20 years of experience leading large transformation programs in the banking, insurance and wealth management sectors. During his career, Geoff has held leadership roles in secured and unsecured consumer lending, banking operations and finance. Geoff brings a global perspective to his engagements having worked with leading banks in Canada, the United States, the United Kingdom, Malaysia, Indonesia, New Zealand and Australia. His engagement experience includes developing growth strategies, strategic planning, budgeting and forecasting, program management, operating model design and implementation, operations improvement, channel optimization and customer experience design and implementation. Prior to joining KPMG, Geoff worked for National Australia Bank, Citigroup and A.T. Kearney.

### Representative Experience

- Developed a growth strategy for an Australian credit card and consumer lending business
- Reengineered a major Australian bank's end to end process for credit cards and personal loans origination and fulfillment
- Designed the target operating model for a start-up bank in Australia including development of customer journeys and the future bank's product and channel strategy
- Developed an artificial intelligence solution for an Australian bank to help customers select and apply for the mortgage product best suited to their needs
- Developed a growth strategy for the first party distribution channel of a leading Australian retail bank's mortgage business
- Migrated Diners Club Australia from its bespoke cards platform onto its parent bank's VisionPlus cards platform
- Stood up a large scale remediation program for an Australian Wealth Management business to review the quality of advice provided by its financial planners
- Offshored the back-office credit card processing operations of an Australian bank to a low cost country

# Stefan Girtler

## Senior Manager – DA Infrastructure



### Stefan Girtler

*Senior Manager, Deal Advisory*

#### Function and Specialization

- Financial Modelling & Option Analysis
- Infrastructure M&A
- Risk Management
- Real Estate Analysis & Development
- Asset Management
- Project Management

#### Languages

French, English, German, Spanish

#### Education & Certifications

- Master's degree in International Business Studies from the University of Applied Sciences Kufstein, Austria
- CFA Charterholder
- BIWS Advanced Financial Modelling
- BIWS Oil & Gas Modelling
- Corality Advanced Project Finance Modelling
- Corality Best Practice Project Finance Modelling
- Corality Metals & Mining Modelling
- BIWS Real Estate Modelling
- Euromoney Financial Modelling
- Eurex derivatives exchange trader license
- Canadian Securities Course

#### Background

Stefan Girtler is a Senior Manager with KPMG's Deal Advisory practice in Montreal, where he focuses on providing financial advisory, financial modelling, and transaction structuring services to global institutional investors. He holds a master's degree in International Business Studies from the University of Applied Sciences Kufstein in Austria and is a CFA Charterholder.

Stefan has over thirteen years of international experience in mergers & acquisitions, financial analysis, and project management. During his career, he has participated in a large number of transactions, developing and validating complex financial models and deal structures for financial and strategic investors.

#### Representative Experience

Prior to joining KPMG, Stefan worked for PSP Investments, one of Canada's largest pension funds, where he was in charge of risk management for the fund's \$7 billion global infrastructure investment portfolio. In this role, he worked on the fundamental analysis, risk management, and the financial modelling of infrastructure transactions across the globe with a total deal value of over \$12 billion. Before this position, Stefan was an Investment Banking Associate at Asp. Group in Austria where he worked on mergers & acquisitions, real estate development, and project finance mandates.

#### Financial modelling, confidential

- Stefan leads the development of a complex operating financial model for a brownfield infrastructure asset in the transportation sector, including various business and financing scenarios, allowing the client and its public partners to determine the project's profitability and gainsharing at any point in time.

#### Real Estate Investment Analysis, Walmart Canada Inc.

- During this 9-month engagement (interim basis), Stefan directly led Walmart Canada's real estate investment analysis department (staff of 14).
- Stefan's team was responsible for the financial modelling and analysis of potential capital investments in Walmart Canada's real estate park of more than 400 stores, the assessment of new real estate opportunities including negotiation support with landlords, the development of alternative strategies for existing stores, the evaluation of high-impact, strategic investments such as the construction of automated distribution centers in Canada, and the assessment of potential acquisitions and strategic partnerships.
- Stefan also managed and improved the capital allocation and approval process for Walmart Canada's annual capital budget and multi-year investment strategy.

#### Credit Risk Modelling Review, Ontario Teachers' Pension Plan (OTPP)

- For OTPP's global infrastructure investment portfolio, reviewed the credit risk modelling initiatives and recommended on best practices



# Appendix – Standard Terms and Conditions

# Appendix – Standard Terms and Conditions

## 1. TERMS AND CONDITIONS.

- a. These Terms and Conditions are an integral part of the accompanying Proposal or Engagement Letter from KPMG that identifies the engagement to which they relate.
- b. In the event of conflict between the Proposal or Engagement Letter and these Terms and Conditions, these Terms and Conditions shall prevail unless specific reference to a provision of the Terms and Conditions being varied is made in the Proposal or Engagement Letter. Other capitalized words in these Terms and Conditions shall have the meanings given to them in the Proposal or Engagement Letter.

## 2. SERVICES.

KPMG will use reasonable efforts to complete the performance of the services within any agreed-upon time-frame. It is understood and agreed that KPMG's services may include advice and recommendations, but all decisions in connection with the implementation of such advice and recommendations shall be the responsibility of, and made by, Client. KPMG will not perform management functions or make management decisions for Client. Nothing in these Terms and Conditions or Engagement Letter (or Proposal) shall be construed as precluding or limiting in any way the right of KPMG to provide services of any kind or nature whatsoever to any person or entity as KPMG in its sole discretion deems appropriate.

## 3. CLIENT RESPONSIBILITIES.

- a. Client agrees to cooperate with KPMG in the performance of the services under the Engagement Letter and shall provide or arrange to provide KPMG with timely access to and use of the personnel, facilities, equipment, data and information necessary for KPMG to perform the services under the Engagement Letter. To the extent that KPMG personnel are on Client premises, Client will take all reasonable precautions for the safety of KPMG partners and employees at Client premises. Client shall be responsible for the performance of its employees and agents and for the accuracy and completeness of all data and information provided to KPMG for purposes of the performance by KPMG of its services hereunder. The Proposal or Engagement Letter may set forth additional responsibilities of Client in connection with the engagement. Client acknowledges that Client's failure to perform these obligations could adversely impact KPMG's ability to perform its services.
- b. Client agrees that Client, and not KPMG, shall perform the following functions: (i) make all management decisions and perform all management functions; (ii) designate an individual who possesses suitable skill, knowledge and experience, preferably within senior management, to oversee the performance of the services under the Engagement Letter, and to evaluate the adequacy and results of such services; (iii) accept responsibility for the results of such services; and (iv) establish and maintain internal controls over the processes with which such services are concerned, including, without limitation, monitoring ongoing activities.
- c. Client acknowledges and agrees that KPMG will, in performing the services, base its conclusions on the facts and assumptions that Client furnishes and that KPMG may use data, material, and other information furnished by or at the request or direction of Client without any independent investigation or verification and that KPMG shall be entitled to rely upon the accuracy and completeness of such data, material and other information. Inaccuracy or incompleteness of such data, material and other information furnished to KPMG could have a material effect on KPMG's conclusions.
- d. Client acknowledges that information made available by it, or by others on Client's behalf, or otherwise known to partners or staff of KPMG who are not engaged in the provision of the services hereunder shall not be deemed to have been made available to the individuals within KPMG who are engaged in the provision of the services hereunder. Client undertakes that, if anything occurs after information is provided by Client to KPMG to render such information untrue, unfair or misleading, Client shall promptly notify KPMG.

## 4. REPORTING.

- a. All oral and written communications by KPMG to Client with respect to the engagement, including, without limitation, drafts and those communications occurring prior to the execution of the Engagement Letter, will be subject to the terms and conditions of the Engagement Letter and these Terms and Conditions. During the performance of the services, KPMG may supply oral, draft or interim advice, reports or presentations but in such circumstances KPMG's written advice or final written report shall take precedence. No reliance should be placed by Client on any oral, draft or interim advice, reports or presentations. Where Client wishes to rely on oral advice or oral presentation, Client shall inform KPMG and KPMG will provide documentary confirmation of the advice concerned. In the event that no final report is issued and Client wishes to rely on draft or interim advice provided by KPMG, Client shall advise KPMG of same and obtain documentary confirmation from KPMG that Client may rely on such advice.



# Appendix – Standard Terms and Conditions

- b. Subsequent to the completion of the engagement, KPMG will not update its advice, recommendations or work product for changes or modification to the law and regulations, or to the judicial and administrative interpretations thereof, or for subsequent events or transactions, unless Client separately engages KPMG to do so in writing after such changes or modifications, interpretations, events or transactions occur.

## 5. WORKING PAPERS AND USE OF REPORTS; USE OF NAME AND LOGO

- a. KPMG retains all rights in all methodologies, know-how, knowledge, applications and software developed by KPMG either prior to or during the engagement. KPMG also retains all rights (including, without limitation, copyright) in all reports, written advice and other working papers and materials developed by KPMG during the engagement. Unless contemplated by the Engagement Letter, all reports and written advice are confidential and intended solely for Client's internal use (or the use of Client's management, as applicable) to assist with this specific matter or transaction, and, where applicable, government taxation authorities, and are not for general use, circulation or publication. Such reports and written advice shall not be edited, referred to, circulated, reproduced, distributed, published, made available, used for any other purpose or relied upon by any other person without KPMG's express written permission and on such terms and conditions as KPMG may require in its sole discretion. If such permission is given, Client shall not publish any extract or excerpt of KPMG's written advice or report or refer to KPMG without providing the entire advice or report at the same time. Notwithstanding the foregoing, Client may disclose in whole any report or written advice given to Client by KPMG hereunder solely to Client's legal and professional advisors for the purposes of Client seeking advice in respect of the transaction or matter to which the engagement relates, provided that when doing so Client informs such advisors that: (i) disclosure by them (except as permitted herein) is not permitted without KPMG's prior written consent; and (ii) KPMG accepts no responsibility or liability to such advisors in connection with such reports or written advice. Subject to the restrictions of Section 6, KPMG is entitled to use or develop the knowledge, experience and skills of general application gained through performing the engagement.
- b. Client shall not refer to KPMG or use KPMG's name or logo in any manner or medium without the prior written permission of KPMG in each instance, which permission may be unreasonably withheld by KPMG.
- c. The contents of this Section 5 may be reproduced in any report or written advice of KPMG, in whole or in part, at KPMG's sole discretion. Any failure of KPMG to include any such language shall not derogate from the obligations set out in this Section 5.

## 6. CONFIDENTIALITY.

- a. Except as described in Section 5 above, Client will treat in confidence any information provided by KPMG to Client, including but not limited to KPMG methodologies, know-how, knowledge, application or software, and will not use or disclose any such confidential information of KPMG to others.
- b. Except as expressly set forth herein, KPMG will treat as confidential all proprietary information and personal information obtained from Client in the course of the engagement.
- c. The restrictions in subsections 6(a) and (b) above shall not apply to any information that: (i) is required by law or professional standards applicable to KPMG to be disclosed; (ii) that is in or hereafter enters the public domain; (iii) that is or hereafter becomes known to Client or KPMG, as the case may be, without breach of any confidentiality obligation; or (iv) that is independently developed by KPMG.
- d. KPMG shall be entitled to include a description of the services rendered in the course of the engagement in marketing and research materials and disclose such information to third parties, provided that all such information will be rendered anonymous and not subject to association with Client.
- e. KPMG shall be entitled to share all information with all other member firms of KPMG International Cooperative ("KPMG International"). KPMG may also use such information to offer services that may be of interest to Client. KPMG may retain and may disclose to other KPMG International member firms, subject to terms of this Section 6, such information required for compliance with applicable professional standards or internal policies or for quality reviews or to share best practices.
- f. Professional standards require KPMG personnel performing any audit or assurance services for clients to discuss or have available to them all information and materials that may affect the audit or assurance engagement. Client authorizes, if Client is or becomes an assurance Client, KPMG personnel performing services under the engagement to make available to the KPMG assurance engagement team and other KPMG personnel, the findings, observations and recommendations from the engagement and agrees that KPMG may use all such findings, observations and recommendations in KPMG's assurance engagement.

# Appendix – Standard Terms and Conditions

- g. Except as required by applicable law or regulation, Client shall keep confidential the existence and terms of the Proposal or the Engagement Letter (as applicable) and these Terms and Conditions. Such confidential information shall not be distributed, published or made available to any other person without KPMG's express written permission. Further, for purposes of the services described in the Engagement Letter only, the Client hereby grants to KPMG a limited, revocable, non-exclusive, non-transferable, paid up and royalty-free license, without right of sublicense, to use all logos, trademarks and service marks of Client solely for presentations or reports to the Client or for internal KPMG presentations and intranet sites.

## 7. PERSONAL INFORMATION CONSENTS AND NOTICES.

Any collection, use or disclosure of personal information is subject to KPMG's Privacy Policy available at [www.kpmg.ca](http://www.kpmg.ca). KPMG may be required to collect, use and disclose personal information about individuals during the course of the engagement. Client represents and warrants that: (i) it will obtain from individuals all consents required by law to permit KPMG to collect, use and disclose all personal information reasonably required in the course of the engagement, and (ii) it has provided notice of KPMG's potential processing of information outside of Canada (as described in Section 8 below) to all individuals whose personal information is disclosed to KPMG.

## 8. USE OF MEMBER FIRMS AND THIRD PARTY SERVICE PROVIDERS.

Personal and/or confidential information collected by KPMG during the course of the engagement may be used, processed and stored outside of Canada by KPMG, KPMG International member firms providing services hereunder, KPMG subsidiaries, affiliates and related parties or third party service providers to provide professional services and administrative, analytical and clerical support and to comply with applicable law, regulations and professional standards. Client also understands and agrees that KPMG aggregates Client's information with information from other sources for the purpose of improving quality and service, and for use in presentations to clients and non-clients, in a form where such information is sufficiently de-identified so as not to be attributable to Client. KPMG represents to Client that each KPMG International member firm; KPMG subsidiary, affiliate and related party; and third party service provider providing services hereunder has agreed or shall agree to conditions of confidentiality with respect to Client's information to the same or similar extent as KPMG has agreed pursuant to Section 6. Further, KPMG is responsible to Client for causing such KPMG subsidiaries, affiliates, related parties and third party service providers to comply with such conditions of confidentiality, and KPMG shall be responsible to Client for their failure to comply and failure of each KPMG International member firm providing services hereunder to comply with its obligations of confidentiality owed to KPMG. Any services performed by KPMG subsidiaries, affiliates, related parties and third party service providers shall be performed in accordance with the terms of the Engagement Letter, including Section 6, but KPMG shall remain responsible to Client for the performance of such services and services performed by each KPMG International member firm providing services hereunder. Such personal and/or confidential information may be subject to disclosure in accordance with the laws applicable in the jurisdiction in which the information is processed or stored, which laws may not provide the same level of protection for such information as will Canadian laws. KPMG's Privacy Officer noted in KPMG's Privacy Policy is able to answer any individual's questions about the collection of personal information required for KPMG to deliver services hereunder.

## 9. TAXES/BILLING/EXPENSES/FEES.

- a. All fees and other charges do not include any applicable federal, provincial, or other goods and services or sales taxes, or any other taxes or duties whether presently in force or imposed in the future. Any such taxes or duties shall be assumed and paid by Client without deduction from the fees and charges hereunder.
- b. Bills will be rendered on a regular basis as the engagement progresses. Our professional fees are also subject to a technology and support charge to cover information technology infrastructure costs and administrative support of our client service personnel which are not included in our client service personnel fee. The technology and support fee covers costs such as our client service personnel computer hardware and customized KPMG software, telecommunications equipment, client service professional administrative support, IT programming, professional services and other client support services. Other direct out-of-pocket costs, such as travel, will be charged separately based on our actual costs. For certainty, Client acknowledges that to the extent a subsidiary, affiliate or related party of KPMG is engaged by KPMG to assist KPMG in providing the services hereunder, Client may receive bills from such subsidiary, affiliate or related party of KPMG for such services. Accounts are due when rendered. Interest on overdue accounts is calculated at the rate noted on the invoice commencing 30 days following the date of the invoice.
- c. Without limiting its rights or remedies, KPMG shall have the right to halt or terminate entirely its services until payment is received on past due invoices.

# Appendix – Standard Terms and Conditions

- d. In the event that the engagement is terminated and Client proceeds to complete the transaction or financing within 18 months from the termination date, then the full amount of any Completion Fee shall be payable on closing of the transaction or the completion of financing, regardless of whether KPMG provided further service.

## 10. INDEMNIFICATION AND LIMITATION OF LIABILITY.

- a. In the event that an engagement requires the involvement of individuals who are not members of the Ordre des comptables professionnels agréés du Québec and who reside outside of the Province of Québec, the liability of KPMG arising from the performance of the Services by these individuals shall be limited as follows: (i) KPMG shall not be liable to Client for any actions, damages, claims, complaints, demands, suits, proceedings, fines, penalties, liabilities, costs, expenses, or losses (collectively, "Claims") in any way for an aggregate amount in excess of the fees paid by Client to KPMG under the engagement, (ii) KPMG shall not be liable to Client for consequential, special, indirect, incidental, punitive or exemplary damages, liabilities, costs, expenses, or losses (including without limitation lost profits and opportunity costs), and (iii) the liability arising from the performance of the services by these individuals shall be joint and not solidary with the liability (if any) arising from the performance of the services by members of the Ordre des comptables professionnels agréés du Québec and individuals who reside in the Province of Québec. On a multi-phase engagement, KPMG's liability shall be based on the amount actually paid to KPMG for the particular phase that gives rise to the liability.
- b. In the event of a Claim by any third party against KPMG, Client will indemnify KPMG as follows : (i) with respect to any Claim that arises out of or relates to the services performed by members of the Ordre des comptables professionnels agréés du Québec or individuals who reside in the Province of Québec, Client will indemnify and hold harmless KPMG from all such Claims, including without limitation, reasonable legal fees, except to the extent finally determined to have resulted from the fault or negligence of these individuals, (ii) with respect to any claim that arises out or relates to Services performed by individuals who are not members of the Ordre des comptables professionnels agréés du Québec and who reside outside of the Province of Québec, Client will indemnify KPMG from all such Claims, including without limitation, reasonable legal fees, except to the extent finally determined to have resulted from the intentional, deliberate or fraudulent misconduct of these individuals.
- c. In any Claim arising out of the engagement, Client agrees that KPMG's liability will be joint and not solidary. Client may only claim payment from KPMG of KPMG's proportionate share of the total liability based on degree of fault.
- d. For purposes of this Section 10, the term KPMG shall include its subsidiaries, its associated and affiliated entities and their respective current and former partners, directors, officers, employees, agents and representatives. The provisions of this Section 10 shall apply regardless of the form of Claim, whether in contract, statute, tort (including, without limitation, negligence) or otherwise.

## 11. LEGAL PROCEEDINGS.

- a. Client agrees to notify KPMG promptly of any request received by Client from any court or applicable regulatory authority with respect to the services hereunder, KPMG's confidential information, KPMG's advice or report or any related document.
- b. If KPMG is required by law, pursuant to government regulation, subpoena or other legal process to produce documents or personnel as witnesses arising out of the engagement and KPMG is not a party to such proceedings, Client shall reimburse KPMG at standard billing rates for professional time and expenses, including, without limitation, reasonable legal fees, expenses and taxes, incurred in responding to such compelled assistance.
- c. If Client requests that KPMG produce documents or personnel as witnesses in any proceedings in any way related to the engagement or services provided by KPMG hereunder and KPMG is not a party to such proceedings, KPMG may agree to produce documents or personnel as witnesses on such terms and conditions as KPMG may, in its sole discretion, determine. Without limiting the generality of the foregoing, Client shall reimburse KPMG at standard billing rates for professional time and expenses, including, without limitation, reasonable legal fees, expenses and taxes, incurred in responding to such Client requests.

# Appendix – Standard Terms and Conditions

- d. Client acknowledges that KPMG may from time to time receive requests or orders from professional, securities or other regulatory, judicial or governmental authorities (both in Canada and abroad) to provide them with information and copies of documents in KPMG's files including, without limitation, working papers and other work-product relating to Client, which information and documents may contain confidential information of Client. Except where prohibited by law, KPMG will advise Client of the request or order. Client hereby acknowledges that KPMG will provide these documents and information without further reference to, or authority from Client.

Client must mark any document over which it asserts privilege or professional secrecy as "privileged". When such an authority requests access to KPMG's working papers and other work-product relating to Client's affairs, KPMG will, on a reasonable efforts basis, refuse access to any document over which Client has expressly informed KPMG at the time of delivery that the Client asserts privilege or professional secrecy (by the Client marking such document as "privileged" as contemplated in the foregoing sentence). Notwithstanding the foregoing, where disclosure of privileged documents or documents protected by professional secrecy is required by law, KPMG will disclose such documents. If and only if the authority requires such access to such privileged documents or documents protected by professional secrecy pursuant to the laws of a jurisdiction in which express consent of the Client is required for such disclosure, then Client hereby provides its consent.

Where privileged Client documents or documents protected by professional secrecy are disclosed by KPMG as contemplated above, KPMG is directed to advise the authority that Client is permitting disclosure only to the extent required by law and for the limited purpose of the authority's exercise of statutory authority. KPMG is directed to advise the authority that Client does not intend to waive privilege or secrecy for any other purpose and that Client expects its documents to be held by the authority as privileged and confidential material). For greater certainty, Client and KPMG hereby agree that this acknowledgement (and, if required, consent) does not negate or constitute a waiver of privilege or secrecy for any purpose and Client expressly relies upon the privilege or secrecy protections afforded under statute and otherwise under law.

## 12. TERMINATION.

Unless terminated sooner in accordance with its terms, the engagement shall terminate on the completion of KPMG's services hereunder, which completion shall be evidenced by the delivery by KPMG to Client of the final invoice in respect of the services performed hereunder. Should Client not fulfill its obligations set out herein or in the Engagement Letter and in the absence of rectification by Client within 10 days, KPMG may, upon written notice, terminate its performance and will not be responsible for any loss, cost or expense resulting therefrom. If at any time during the engagement it is determined by KPMG, in its sole discretion, that there may be an actual or potential breach by KPMG of applicable professional standards, KPMG may terminate the engagement, without liability, immediately on notice to Client. The engagement may be terminated by either party at any time by giving written notice to the other party not less than 30 calendar days before the effective date of termination. Upon early termination of the engagement, Client shall be responsible for the payment to KPMG for KPMG's time and expenses incurred up to the termination date, as well as reasonable time and expenses to bring the engagement to a close in a prompt and orderly manner.

## 13. E-MAIL COMMUNICATION.

Client recognizes and accepts the risks associated with communicating by Internet e-mail, including (but without limitation) the lack of security, unreliability of delivery and possible loss of confidentiality and privilege. Unless Client requests in writing that KPMG does not communicate by Internet e-mail, Client assumes all responsibility or liability in respect of the risk associated with its use.

## 14. POTENTIAL CONFLICTS OF INTEREST.

- a. For purposes of this Section 14, "KPMG" means KPMG LLP and KPMG subsidiaries, affiliates and related parties providing services hereunder, if applicable. KPMG is engaged by a wide variety of entities and individuals, some of whom may be creditors, investors, borrowers, shareholders, competitors, suppliers or customers of Client, or other parties with conflicting legal and business interests to Client, including, without limitation, in relation to the audit, tax or advisory services provided to Client by KPMG. KPMG's engagements with such companies and individuals may result in a conflict with Client's interests.
- b. As a condition of KPMG's engagement by Client, Client agrees that: (i) without further notice or disclosure, KPMG may accept or continue engagements on unrelated matters to KPMG's engagement for Client in which KPMG may act contrary to Client's interests even if those unrelated matters are materially and directly adverse to Client; and (ii) without further notice or disclosure, KPMG may provide advice or services to any other person or entity making a competing bid or proposal to that of Client whether or not KPMG is providing advice or services to Client in respect of Client's competing bid or proposal.

# Appendix – Standard Terms and Conditions

- c. In accordance with professional standards, and except as set out below, KPMG will not use any confidential information regarding Client in connection with its engagements with other clients, and will establish confidentiality and other safeguards to manage conflicts, which may include, in KPMG's sole discretion, the use of separate engagement teams and data access controls. In no event shall KPMG be liable to Client or shall Client be entitled to a return of fees and disbursements incurred on behalf of Client or any other compensation whatsoever as a result of KPMG accepting or continuing a conflicting engagement.
- d. Client further agrees that KPMG may, in its sole discretion, disclose the fact or general nature of its engagement for Client to (i) KPMG International and other KPMG International member firms in order to check against potential conflicts of interest, and (ii) to the extent reasonably required in order to obtain the consent of another entity or individual in order to permit KPMG to act for such entity or individual, or for Client, in connection with the engagement or any future engagement.
- e. Where another party has engaged KPMG to deliver services before Client has done so, and subsequently circumstances change such that there is a conflict, which in KPMG's sole opinion cannot be adequately managed through the use of confidentiality and other safeguards, KPMG shall be entitled to terminate the engagement for Client, without liability, immediately upon notice.
- f. Other KPMG International member firms are engaged by many entities and individuals, including, without limitation, entities and individuals that may enter into transactions or may have disputes with Client or Client's related or affiliated entities. Client agrees that (i) it will not assert that other KPMG International member firms are precluded from being engaged by those other entities or individuals, and (ii) those engagements of other KPMG International member firms do not conflict with KPMG's engagement for Client.
- g. Client will indemnify and hold harmless KPMG, its subsidiaries and associated and affiliated entities, and their respective current and former partners, directors, officers, employees, agents and representatives from any Claim by any third party (including, without limitation, reasonable legal fees) that alleges that KPMG was in a conflict of interest by providing services hereunder, except to the extent finally determined to have resulted from the fault or negligence of KPMG. The provisions of this subsection 14(g) shall apply regardless of the form of Claim, whether in contract, statute, tort (including, without limitation, negligence) or otherwise.
- h. KPMG encourages Client to obtain legal advice with respect to Client's rights in connection with potential future conflicts prior to entering into the engagement.

## **15. FORCE MAJEURE.**

Neither Client nor KPMG shall be liable for any delays resulting from circumstances or causes beyond its reasonable control, including, without limitation, fire or other casualty, act of God, strike or labour dispute, war or other violence, or any law, order or requirement of any governmental agency or authority.

## **16. INDEPENDENT CONTRACTOR.**

It is understood and agreed that each of the parties hereto is an independent contractor and that neither party is, nor shall be considered to be, an agent, distributor or representative of the other. Neither party shall act or represent itself, directly or by implication, as an agent of the other or in any manner assume or create any obligation on behalf of, or in the name of, the other.

## **17. SURVIVAL.**

Sections 1, 4(b), 5 to 14, 16 to 29, 30(a) and (c)-(g) and 32 to 33 hereof shall survive the expiration or termination of the engagement.

## **18. SUCCESSORS AND ASSIGNS.**

These Terms and Conditions and the accompanying Proposal or Engagement Letter shall be binding upon the parties hereto and their respective subsidiaries and associated and affiliated entities and their respective partners, directors, officers and employees and successors and permitted assigns. Except as provided below, neither party may assign, transfer or delegate any of the rights or obligations hereunder without the prior written consent of the other party. KPMG may assign its rights and obligations hereunder to any affiliate or successor in interest to all or substantially all of the assets or business of the relevant KPMG practice, without the consent of Client. In addition, KPMG may arrange for or engage (as applicable) KPMG affiliates, subsidiaries, related parties, independent contractors and KPMG International member firms to assist KPMG in performing the services hereunder.

# Appendix – Standard Terms and Conditions

## 19. SEVERABILITY.

The provisions of these Terms and Conditions and the accompanying Proposal or Engagement Letter shall only apply to the extent that they are not prohibited by a mandatory provision of applicable law, regulation or professional standards. If any of these provisions shall be held to be invalid, void or unenforceable, then the remainder of these Terms and Conditions and the attached Proposal or Engagement Letter, as the case may be, shall not be affected, impaired or invalidated, and each such provision shall be valid and enforceable to the fullest extent permitted by law.

## 20. ENTIRE AGREEMENT.

These Terms and Conditions and the accompanying Proposal or Engagement Letter including, without limitation, Exhibits, constitute the entire agreement between KPMG and Client with respect to the engagement and supersede all other oral and written representation, understandings or agreements relating to the engagement.

## 21. GOVERNING LAW.

These Terms and Conditions and the accompanying Proposal or Engagement Letter shall be subject to and governed by the laws of the province of Quebec (without regard to Quebec's rules on conflicts of law).

## 22. LANGUAGE.

Client has expressly required that the Terms and Conditions and the Proposal or Engagement Letter and all documents and notices relating hereto be drafted in English.

Le client a expressément exigé que les présentes conditions et l'offre de service ou la lettre de mission, de même que tous les documents et avis connexes, soient rédigées en anglais.

## 23. PUBLICITY.

Upon the closing of a transaction, KPMG will have the right (but shall not be obliged), at its expense, to publicize its association with the transaction by way of public announcement in "tombstone" or similar format, subject to prior review of the wording for any such announcement with Client.

## 24. KPMG INTERNATIONAL MEMBER FIRMS.

In the case of multi-firm engagements, all KPMG International member firms performing services hereunder shall be entitled to the benefits of these Terms and Conditions. Client agrees that any Claims that may arise out of the engagement will be brought solely against KPMG, the contracting party, and not against any other KPMG International member firms or such third party service providers referred to in Section 8 above.

## 25. SARBANES-OXLEY ACT.

Except as set forth in the Engagement Letter, Client acknowledges that completion of the engagement or acceptance of KPMG's reports, advice, recommendations and other deliverables resulting from the engagement will not constitute a basis for Client's assessment of internal control over financial reporting or Client's evaluation of disclosure controls and procedures, or its compliance with its principal officer certification requirements under Section 302 of the *Sarbanes-Oxley Act of 2002* (the "Act"). The engagement shall not be construed to support Client's responsibilities under Section 404 of the Act requiring each annual report filed under Section 13(a) or 15(d) of the *Securities Exchange Act of 1934* to contain an internal control report from management.

## 26. NATIONAL INSTRUMENT 52-109.

Except as set forth in the Engagement Letter, Client acknowledges that completion of the engagement or acceptance of KPMG's reports, advice, recommendations and other deliverables resulting from the engagement will not constitute a basis for Client's evaluation of disclosure controls and procedures and internal control over financial reporting, or its compliance with its CEO/CFO certification requirements under *National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings*, including those related to the design of disclosure controls and procedures and internal control over financial reporting.

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## 27. SPECIFIC ACCOUNTING AND OTHER ADVICE.

Except as set forth in the Engagement Letter, the engagement does not contemplate the provision of specific accounting advice or opinions or the issuance of a written report on the application of accounting standards to specific transactions and facts and circumstances of Client. Such services, if requested, would be provided pursuant to a separate engagement.

Client should consult with and/or engage legal counsel for the purpose of advising on legal aspects of matters on which KPMG provides its advice and drafting any legal documents and/or agreements that may be required. To the extent legal counsel or other professional service providers are required, Client is exclusively responsible for engaging and paying such service providers.

## 28. TAX SERVICES.

- a. If tax work is specifically requested by Client, KPMG will perform the procedures in accordance with this Section 28. KPMG will base its findings exclusively on the facts and assumptions provided to KPMG by Client and Client's personnel and advisors. KPMG will consider the applicable provisions of the relevant taxing statutes, the regulations thereunder, applicable tax treaties and judicial and administrative interpretations thereof. In the case of Canadian tax services only, KPMG will also take into account all specific proposals to amend such statutes, regulations and treaties publicly announced prior to the date of KPMG's reports, based on the assumption that these amendments will be enacted substantially as proposed. For certainty, in the case of US tax services, KPMG shall not take into account any specific proposals to amend such statutes, regulations and treaties. The authorities referred to in this subsection 28(a) are subject to change, retroactively and/or prospectively, and any such changes could affect the validity of KPMG's findings and may result in incremental taxes, interest or penalties. KPMG's findings will not otherwise take into account or anticipate any changes in law or practice, by way of judicial, governmental or legislative action or interpretation. Unless Client specifically requests otherwise, KPMG will not update tax work to take any such changes into account.
- b. KPMG will use professional judgment in providing advice, and will, unless Client instructs otherwise, take the position most favourable to Client whenever reasonable. All returns are subject to examination by tax authorities, and KPMG's advice may be audited and challenged by a tax authority. Client understands that KPMG's conclusions are not binding on tax authorities or the courts and should not be construed as a representation, warranty or guarantee that the tax authorities or courts will agree with KPMG's conclusion.
- c. Client is also responsible for ensuring that KPMG's advice is implemented strictly in accordance with KPMG's recommendations. KPMG is not responsible for any penalties or interest assessed against Client as a result of a failure by Client to provide KPMG with accurate and complete information.
- d. Unless expressly provided for, KPMG's services do not include representing Client in the event of a challenge by the Canada Revenue Agency or other tax or revenue authorities.

## 29. TAX SERVICES FOR SEC REGISTERED AUDIT CLIENTS AND/OR US TAX SERVICES

- a. In circumstances where the services provided by KPMG hereunder: (i) involve the delivery of any tax services, Client is or is an affiliate of (whether at the time of the engagement or at any point thereafter) an entity that is registered with the United States Securities and Exchange Commission ("SEC"), and Client or such affiliate is audited by KPMG; or (ii) involve the delivery of US tax services, then the prohibition regarding the distribution of KPMG's reports and written advice set out in Section 5 of these Terms and Conditions shall not apply and no provision of the Engagement Letter is or is intended to be construed as a condition of confidentiality in relation to the tax services to which (i) and/or (ii) above are applicable. Further, in respect of the services to which (i) and/or (ii) above are applicable, no provision in the Engagement Letter or these Terms and Conditions is or is intended to be construed as a condition of confidentiality within the meaning of Internal Revenue Code ("IRC") sections 6011, 6111, 6112 or the regulations thereunder, or under any similar or analogous provisions of the laws of a state or other jurisdiction. In particular, Client (and each employee, representative, or other agent of Client) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of any transaction within the scope of the engagement and all materials of any kind (including opinions and other tax analyses) that are provided to Client relating to such tax treatment and tax structure. Client also agrees to use commercially reasonable efforts to inform KPMG of any conditions of confidentiality imposed by third party advisors with respect to any transaction on which KPMG's advice is requested. Such notification must occur prior to KPMG providing any advice with respect to the transaction.
- b. For certainty, Section 5 of these Terms and Conditions shall continue to apply in its entirety, and this Section 29 shall not apply, to any tax services to which subsection 29(a)(i) and/or (ii) above are not applicable. In this Section 29, the term "affiliate" is interpreted as that term is used by the SEC with reference to auditor independence rules.



# Appendix – Standard Terms and Conditions

- c. In respect of any tax services to which subsection 29(a)(i) or (ii) above are applicable, any reports or advice (“Tax Deliverable”) released to Client in any form or medium shall be supplied by KPMG on the basis that it is for Client’s benefit and use only. If Client refers to or discloses in whole or in part any Tax Deliverable to any third party, Client shall notify such third party in writing as follows: that (i) the tax services performed by KPMG for Client were designed to meet Client’s agreed requirements only, as determined by Client’s needs at the time; (ii) any product of the tax services should not be regarded as suitable to be used or relied upon by any party wishing to acquire any rights against KPMG other than Client; (iii) KPMG does not assume any responsibility in respect of the tax services performed for Client, any product of the tax services, or any judgments, conclusions, opinions, findings or recommendations that KPMG may have formed or made, to any party except Client; (iv) to the fullest extent permitted by law, KPMG accepts no liability in respect of any such matters to any other person; and (v) should any person or entity except Client choose to rely on the tax services or any product thereof, that person or entity will do so at their own risk. Notwithstanding the foregoing, (A) in the event of a disclosure made by Client that is required by law, that is made to a regulatory authority having jurisdiction over Client, or that is made pursuant to subsection 29(a) above, no such notification shall be required and (B) no such notification shall be required with respect to disclosures expressly authorized by the Engagement Letter.
- d. If Client refers or discloses in whole or in part any Tax Deliverable to any third party but does not notify such third party in writing as required in subsection 29(c) above, unless KPMG has agreed in writing with such third party to accept responsibility and liability to that third party in respect of the tax services and the Tax Deliverable, Client shall compensate KPMG and reimburse KPMG for and protect, indemnify and hold harmless KPMG against any Claim incurred by KPMG (including, without limitation, reasonable legal fees) as a result of, arising from or in connection with any such reference or disclosure, except to the extent finally determined to have resulted from the fault or negligence of KPMG. If any payment is made by Client under this subsection 29(d), Client shall not seek recovery of that payment from KPMG at any time. In this subsection 29(d), “KPMG” shall include KPMG and its subsidiaries, its associated and affiliated entities and their respective current and former partners, directors, officers, employees, agents and representatives, and “Client” shall include Client, Client’s affiliates and any other beneficiaries of KPMG’s tax services. The foregoing indemnification obligations shall apply regardless of the form of Claim, whether in contract, statute, tort (including, without limitation, negligence) or otherwise.
- e. Treasury regulations under IRC section 6011 require taxpayers to disclose to the IRS their participation in reportable transactions and IRC section 6707A imposes strict penalties for noncompliance. Client agrees to use commercially reasonable efforts to inform KPMG if Client is required to disclose any transaction covered by the Engagement Letter as a reportable transaction to the IRS or to any state or other jurisdiction adopting similar or analogous provisions. IRC section 6111 requires a material advisor with respect to a reportable transaction to disclose information on the transaction to the IRS by a prescribed date, and IRC section 6112 requires the material advisor to maintain, and make available to the IRS upon request, a list of persons and other information with respect to the transaction. KPMG will use commercially reasonable efforts to inform Client if KPMG provides Client’s identifying information to the IRS under IRC section 6111 or 6112, or to any state or other jurisdiction adopting similar or analogous provisions.
- f. For engagements where services will be provided by a KPMG International member firm with offices located in California, Client acknowledges that certain of KPMG’s personnel who may be considered “owners” under the California Accountancy Act and implementing regulations (California Business and Professions Code section 5079(a); 16 Cal. Code Regs. sections 51 and 51.1) and who may provide services in connection with the engagement, may not be licensed as certified public accountants under the laws of any of the various states.

## 30. DUE DILIGENCE SERVICES (TAX AND TRANSACTION SERVICES)

- a. The procedures KPMG will perform are limited to those referred to in the Engagement Letter and its appendices. The procedures KPMG will perform are limited in nature and extent to those determined by Client to meet its needs and, as such, will not necessarily disclose all significant matters about Target or reveal errors in the underlying information, instances of fraud, or illegal acts, if any. KPMG provides no assurance and makes no representation regarding the sufficiency of the procedures either for the purpose of the proposed transaction in the context of which KPMG has been engaged or for any other purpose. KPMG’s findings will not constitute recommendations to Client as to whether or not Client should proceed with any proposed transactions. In performing the procedures and reporting its findings, KPMG will rely exclusively upon information provided to KPMG by Target, its personnel and advisors, Client’s advisors, and Client, and any publicly available information KPMG obtains, and will not independently verify the accuracy or completeness of such information. KPMG’s procedures with respect to Target’s financial information will be substantially less in scope than any audit or other attestation standards, including without limitation those established by the Auditing and Assurance Standards Board and the Chartered Professional Accountants of Canada. Consequently, KPMG expresses no opinion and will provide no other form of assurance on Target’s prospective financial information, financial statements or Target’s internal control over financial reporting.



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- b. Client agrees to review reports promptly and to advise KPMG on a timely basis of any additional procedures Client would like KPMG to perform or areas to address.
- c. In the event KPMG performs procedures related to future-oriented financial information, KPMG will not compile, examine, or apply other assurance procedures to such information and, accordingly, will express no opinion or any other form of assurance or representations concerning its accuracy, completeness or presentation format. Future-oriented financial information is based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material.
- d. Unless specifically requested by Client, KPMG is not obligated to provide a copy of the report to Target for the purpose of confirming Target's representations concerning the accuracy of the factual information presented in the report. If Client would like Target to review the report, KPMG will require Client and Target to indemnify KPMG for any Claims arising out of or relating to such review on such terms and conditions specified by KPMG in its sole discretion. In certain instances, Client may request that KPMG's report be distributed to a third party for informational purposes. KPMG will consider consenting to distribution based on such factors as the identity of the third party and the third party's intended use of the report. If KPMG agrees to the distribution of the report to a third party, Client agrees to execute and agrees to require the third party to execute an agreement in the form provided by KPMG regarding the release of information.
- e. Client expressly acknowledges and agrees that if Client and Target (as such terms are defined in the Engagement Letter) are the same entity, that all references herein to "Target" shall be deemed to be references to "Client".
- f. The provisions of subsections 3(c)-(d) and Section 6 shall apply to information about Target provided to KPMG in the course of performing the services under the Engagement Letter. Client agrees to use all reasonable efforts to arrange for KPMG's access to Target's personnel and advisors, business offices and financial information as required for KPMG to perform the services contemplated by the Engagement Letter.
- g. If KPMG serves as independent auditors of Target or another party disclosed to Client, or provides any other audit or attestation services to Target or such other party (such as the target of a contract compliance review or a party having a connection to an investigation or proceeding), Client hereby acknowledges and agrees that KPMG may be in possession of confidential information concerning Target or such other party that may be relevant to Client's due diligence procedures or other services KPMG is providing to Client under the Engagement Letter and that such information will not be disclosed to Client unless Target or such other party provides prior written consent to such disclosure or provides such information directly to Client or to the KPMG engagement team serving Client for purposes of the services under the Engagement Letter.

## 31. LOBBYING

Unless expressly stated in the Engagement Letter, KPMG will not undertake any lobbying activity, as that term is defined in all applicable federal, provincial and municipal lobbyist registration statutes and regulations, in connection with the engagement. In the event that KPMG and Client agree that KPMG will undertake lobbying activity in connection with the engagement, such agreement shall be set out in an amendment to the Engagement Letter.

## 32. LLP.

KPMG LLP is a registered limited liability partnership ("LLP") established under the laws of the Province of Ontario and is registered extra-provincially in Quebec. KPMG is a partnership, but its partners have a degree of limited liability. A partner is not personally liable for any debts, obligations or liabilities of the LLP that arise from a negligent act or omission by another partner or any person under that other partner's direct supervision or control. The legislation relating to limited liability partnerships does not, however, reduce or limit the liability of the firm. The firm's insurance exceeds the mandatory professional indemnity insurance requirements established by the relevant professional bodies. Subject to the other provisions hereof, all partners of the LLP remain personally liable for their own actions and/or actions of those they directly supervise or control.

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## 33. ALTERNATIVE DISPUTE RESOLUTION.

The parties shall, and shall cause both their and their respective subsidiaries', affiliates' and associated entities' current and former officers, partners, directors, employees, agents and representatives, to first attempt to settle any dispute arising out of or relating to the Engagement Letter or the services provided hereunder (the "Dispute") through good faith negotiations in the spirit of mutual cooperation between representatives of each of the parties with authority to resolve the Dispute. In the event that the parties are unable to settle or resolve a Dispute through negotiation within 30 days of when one of the parties has notified the other party of the Dispute by delivering a notice of dispute or such longer period as the parties may mutually agree upon, such Dispute shall, as promptly as is reasonably practicable, be subject to mediation pursuant to the National Mediation Rules of the ADR Institute of Canada, Inc. that are in force at the time the notice of dispute is delivered. Any Dispute remaining unresolved for more than 60 days following the parties first meeting with a mediator or such longer period as the parties may mutually agree upon shall, as promptly as is reasonably practicable, be resolved by arbitration pursuant to the Arbitration Rules of the ADR Institute of Canada, Inc. (the "Arbitration Rules") that are in force at the time the Dispute is subject to arbitration. For certainty, the parties hereby waive any right they may otherwise have to bring a court action in connection with a Dispute. The parties also waive any right they may otherwise have to bring or participate in a class, collective or representative proceeding in connection with a Dispute, whether in court or before an arbitrator. The arbitrator's decision shall be final, conclusive and binding upon the parties, and the parties shall have no right to appeal or seek judicial review of the arbitrator's decision. For certainty, the parties hereby waive any right of appeal which may otherwise be available under applicable legislation or under the Arbitration Rules. The place of mediation and arbitration shall be the city in Canada in which the principal KPMG office that performed the engagement is located. The language of the mediation and arbitration shall be English.

TERMS AND CONDITIONS FOR ADVISORY AND TAX SERVICES (QUÉBEC) – JUNE 2018



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