

# **GENWORTH MI CANADA INC.**

**NOTICE AND MANAGEMENT INFORMATION CIRCULAR  
FOR THE ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD ON  
JUNE 6, 2013**

# TABLE OF CONTENTS

	Page
QUESTIONS AND ANSWERS ON VOTING AND PROXIES.....	1
INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON .....	4
VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES .....	4
Principal Shareholders .....	4
Special Share Rights .....	4
BUSINESS OF THE MEETING .....	5
1. Election of Directors.....	5
2. Appointment of Auditors.....	11
EXECUTIVE COMPENSATION.....	11
Compensation Discussion and Analysis .....	11
Compensation Decisions.....	20
Base Salary .....	20
Short Term Incentives .....	20
Long Term Incentives .....	22
Performance Graph .....	25
Summary Compensation Table .....	27
Incentive Plan Awards .....	28
Pension Plan Benefits .....	29
Termination and Change of Control Benefits .....	32
Equity Compensation Plans .....	34
Share Ownership Requirements.....	39
COMPENSATION OF DIRECTORS .....	41
Director Compensation Discussion and Analysis .....	41
Director Compensation Table .....	42
Incentive Plan Awards .....	42
Directors' and Officers' Liability Insurance .....	43
INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS .....	43
INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS.....	43
CORPORATE GOVERNANCE .....	43
Board of Directors .....	44
Independence of Directors .....	44
Mandates.....	44
Position Descriptions .....	45
Ethical Business Conduct .....	45
Compensation and Nominating Committee .....	45
Audit Committee.....	47
Risk, Capital and Investment Committee.....	47
Corporate Governance of Genworth Mortgage Insurance Canada .....	48
Shareholder Communication with the Board.....	48
MANAGEMENT CONTRACTS .....	48
ADDITIONAL INFORMATION.....	48
OTHER BUSINESS.....	48
DIRECTORS' APPROVAL .....	49
APPENDIX A BOARD OF DIRECTORS MANDATE .....	A-1

Dear Shareholder:

Please join our Board of Directors and management at our 2013 annual meeting of shareholders. The meeting will be held on June 6<sup>th</sup>, 2013 at 10:30 a.m. (E.T.) at the Fairmont Royal York Hotel located at 100 Front Street West, Toronto, Ontario, Canada.

At the meeting, you will have the opportunity to obtain first-hand information regarding Genworth MI Canada Inc., learn about our plans for the future, and be called upon to vote on matters described in the Management Information Circular. The Notice of Annual Meeting and Management Information Circular describing the formal business of the meeting and related proxy are enclosed.

**Your vote is very important.** Whether or not you plan to attend the meeting, please participate by completing and sending us your proxy (full details are provided herein).

If you are unable to attend in person, you will be able to listen to a live webcast of the meeting at <http://investor.genworthmicanada.ca>. Prior to the meeting you may also wish to visit our website to view our most recently filed public documents.

**DATED** this 22<sup>nd</sup> day of April, 2013

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Hurley", written in a cursive style.

**Brian Hurley**  
Chairman of the Board and  
Chief Executive Officer

**GENWORTH MI CANADA INC.**  
**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**NOTICE IS HEREBY GIVEN** to the shareholders of Genworth MI Canada Inc. (the “**Company**”) that the 2013 annual meeting (the “**Meeting**”) of shareholders will be held on June 6, 2013 at 10:30 a.m. (E.T.) at the Fairmont Royal York Hotel located at 100 Front Street West, Toronto, Ontario, Canada. The Board of Directors of the Company have fixed April 24, 2013 as the record date for the Meeting. The purpose of the Meeting will be to deal with the following matters:

1. receiving the consolidated financial statements of the Company for the financial year ended December 31, 2012 (“**Fiscal 2012**”) and the report of the auditors on such statements;
2. electing the Board of Directors;
3. appointing the auditors and authorizing the Board of Directors to fix their remuneration; and
4. transacting other business that may properly come before the Meeting or any adjournments of the meeting.

Accompanying this notice are: (i) a Management Information Circular of the Company (the “**Circular**”); (ii) a voting instruction form or form of proxy to be used for voting at the Meeting; (iii) a reply card for use by shareholders who wish to receive the annual and/or interim financial statements of the Company; and (iv) the audited annual financial statements and management’s discussion and analysis of the Company for Fiscal 2012.

All non-registered shareholders must provide voting instructions in the manner described in the enclosed voting instruction form and in the accompanying Circular. Your shares will not be voted without your instructions.

We urge you to read these materials carefully and cast your vote on these important matters.

**DATED** this 22<sup>nd</sup> day of April, 2013

**BY ORDER OF THE BOARD OF DIRECTORS**

A handwritten signature in black ink, appearing to read 'Brian Hurley', written in a cursive style.

Brian Hurley  
Chairman of the Board of Directors

**GENWORTH MI CANADA INC.**  
**MANAGEMENT INFORMATION CIRCULAR**

This Management Information Circular (the “**Circular**”) is being sent to each holder of common shares (“**Common Shares**”) and of the special share (the “**Special Share**”, and together with the Common Shares, the “**Shares**”) of Genworth MI Canada Inc. (the “**Company**” or “**Genworth Canada**”) in connection with the annual meeting (the “**Meeting**”) of holders of Shares (“**Shareholders**”).

**Date, Time and Place of the Meeting**

The Meeting is to be held on June 6, 2013 at 10:30 a.m. (E.T.) at the Fairmont Royal York Hotel located at 100 Front Street West, Toronto, Ontario, Canada.

**Record Date and Quorum**

The Board of Directors of the Company (the “**Board**”) has fixed April 24, 2013 as the record date (the “**Record Date**”) for the Meeting. A Shareholder of record at the close of business on the Record Date is entitled to vote the Shares registered in such Shareholder’s name at that date on each matter to be acted upon at the Meeting.

A quorum for the Meeting consists of at least one person present, being a Shareholder entitled to vote at the Meeting or a duly appointed proxyholder for a Shareholder entitled to vote at the Meeting. In the event that a quorum is not present at the time fixed for the Meeting, the Meeting will be adjourned to a day not less than seven days later, at such time and place as determined by the Chairperson of the Meeting.

**Interpretation of this Circular**

Except as otherwise stated, the information contained herein is given as of April 22, 2013. Unless otherwise specified, all dollar amounts are expressed in Canadian dollars.

**QUESTIONS AND ANSWERS ON VOTING AND PROXIES**

**1. WHO DO I CALL IF I HAVE QUESTIONS OR NEED ASSISTANCE?**

Canadian Stock Transfer Company Inc. (“**CST**”), the administrative agent for CIBC Mellon Trust Company, the Company’s proxy solicitation agent, via telephone at 416-682-3860 (within the Greater Toronto Area) or 1-800-387-0825 (within Canada and the United States); via facsimile at 1-888-249-6189; via e-mail at [inquiries@canstockta.com](mailto:inquiries@canstockta.com); or through their website at [www.canstockta.com](http://www.canstockta.com).

**2. WHO IS SOLICITING MY PROXY?**

This Circular is furnished in connection with the solicitation of proxies by management of the Company, a corporation incorporated under the laws of Canada, for use at the Meeting and at any adjournments or postponements thereof, for the purposes set forth in the accompanying Notice of the Meeting. The Company may pay investment dealers or other service providers for their reasonable expenses for sending this Circular and other Meeting materials to Shareholders and obtaining voting instructions and/or proxies. If needed, it is expected that the solicitation of proxies for the Meeting will be primarily by mail, but proxies may also be solicited by telephone or personally by regular employees of affiliated entities of the Company at nominal cost. The cost of solicitation will be borne by the Company.

**3. WHAT AM I VOTING ON?**

- (A) the election of each director;
- (B) the appointment of auditor; and
- (C) any other matter that may properly come before the Meeting.

**The Company’s Board and management recommend that you vote FOR (A) the election of each director and (B) the appointment of the auditors.** The person named in the proxy form has discretionary authority with respect to amendments or variations to matters identified in the Notice of the Meeting and to other matters which may properly come before the Meeting.

#### 4. WHO CAN VOTE?

Shareholders who are not registered Shareholders (referred to in this Circular as “**Beneficial Shareholders**”) should note that only proxies deposited by persons who are registered Shareholders on the Record Date can be recognized and acted upon at the Meeting. Beneficial Shareholders cannot vote at the Meeting by completing and depositing a form of proxy as a registered Shareholder.

Typically, Beneficial Shareholders will receive a voting instruction form or other similar document with this Circular from their broker or other intermediary holding Shares on their behalf (the “**Intermediary**”). This form allows the Beneficial Shareholder to provide voting instructions with respect to such Shares. The voting instruction form is similar to the form of proxy provided to a registered Shareholder. However, its purpose is limited to instructing a registered Shareholder how to vote on your behalf. Intermediaries will typically make arrangements that will allow you to provide voting instructions by completing and returning a voting instruction form by mail or facsimile, calling a toll-free telephone number or by using the internet. You should carefully follow the directions provided to you in order to ensure that your Shares are voted at the Meeting. Your Shares will not be voted without your instructions.

Please note that Beneficial Shareholders seeking to attend the Meeting will not be recognized at the Meeting for the purpose of voting Shares unless the Beneficial Shareholder has provided instructions to appoint him or herself as a proxyholder. In order to do this, the individual should follow the instructions on the voting instruction form received from the Intermediary regarding the manner in which voting instructions are to be provided and, in doing so, specify that individual’s own name as the person to be appointed as proxyholder for the purposes of voting his or her Shares. For instance, if “*David Jones*” is a Beneficial Shareholder and he wishes to be appointed as a proxyholder, in the voting instruction form he receives from his Intermediary, he should insert the name “*David Jones*” in the space provided and follow the other procedures specified on the form for appointing a proxyholder other than one of the individuals specified on the form. Beneficial Shareholders seeking to appoint another person as proxyholder should see the procedures in “*How do I appoint someone to vote for me?*”, below.

All Beneficial Shareholders should communicate their voting instructions in accordance with directions received from the Intermediary holding Shares on their behalf well in advance of the deadline for the receipt of proxies to allow their instructions to be processed before the deadline.

#### 5. BY WHEN SHOULD I MAIL MY PROXY?

Beneficial Shareholders need to deliver their voting instructions to their Intermediary within the timeframes specified by the Intermediary. Registered Shareholders should send their proxy forms to CST by no later than 5:00 p.m. (E.T.) on June 4, 2013 or, in the case of any adjournments or postponements of the Meeting, not less than 48 hours, Saturdays, Sundays and holidays excepted, prior to the time of the adjourned or postponed Meeting.

#### 6. HOW DO I APPOINT SOMEONE TO VOTE FOR ME?

An instrument appointing a proxy must be in writing and either substantially in a form approved by the Board acting reasonably or as may be satisfactory to the Chairman of the Meeting. Forms of proxy must be executed on behalf of the registered Shareholder by a person duly authorized in writing. The individuals named in the enclosed form of proxy are officers of the Company. **A REGISTERED SHAREHOLDER MAY APPOINT SOME OTHER PERSON, WHO NEED NOT BE A SHAREHOLDER, TO REPRESENT HIM OR HER AT THE MEETING.** In order to do so, the registered Shareholder must insert such other person’s name in the blank space provided in the form of proxy and strike out the names of the nominees referred to, or complete another proper form of proxy and, in either case, deposit the completed proxy with CST by the specified deadline.

Beneficial Shareholders seeking to have another person vote for them at the Meeting must provide instructions to appoint such person as a proxyholder. In order to do this, the Beneficial Shareholder should follow the instructions on the voting instruction form received from the Intermediary regarding the manner in which voting instructions are to be provided and, in doing so, specify such person’s name as the person to be appointed as proxyholder for the purposes of voting the Beneficial Shareholder’s Shares.

#### 7. IF I CHANGE MY MIND, CAN I REVOKE MY PROXY ONCE I HAVE GIVEN IT?

A proxy given pursuant to this solicitation may be revoked by instrument in writing, including another proxy bearing a later date, executed by the registered Shareholder or by its attorney authorized in writing, and by depositing such instrument with CST before the deadline for filing proxies, or in any other manner permitted by law. However, the revocation of a proxy does not affect any matter on which a vote has been taken prior to the revocation.

## **8. HOW WILL MY SHARES BE VOTED IF I VOTE BY PROXY?**

The persons named in the proxy form must vote or withhold from voting your Shares in accordance with your instructions on the proxy form. Common Shares represented by a proxy are to be voted by the proxyholder designated in the enclosed form of proxy as instructed by the Shareholder. **In the absence of a contrary instruction, or where no instruction is indicated, the persons designated by management of the Company in the enclosed form of proxy intend to vote:**

- **FOR** the election of each director; and
- **FOR** the appointment of the auditors.

## **9. WHAT IF AMENDMENTS ARE MADE TO THESE MATTERS OR IF OTHER MATTERS ARE BROUGHT BEFORE THE MEETING?**

The person named in the proxy form has discretionary authority with respect to amendments or variations to matters identified in the Notice of the Meeting and to other matters which may properly come before the Meeting. As of the date of this Circular, the Company's management knows of no such amendment, variation or other matter expected to come before the Meeting. If any other matters properly come before the Meeting, the persons named in the proxy form will vote on them in accordance with their best judgment.

## **10. WHAT IS ELECTRONIC DELIVERY?**

Electronic delivery is a voluntary program that permits registered Shareholders to receive their disclosure documents electronically rather than in paper form. Every year, the Company mails to Shareholders documentation, such as this Circular, that must by law be delivered to shareholders of a public company. Consenting registered Shareholders will receive an e-mail containing a link to disclosure documentation on the Company's website ([www.genworth.ca](http://www.genworth.ca)). The Company believes that electronic delivery will benefit the environment and reduce the Company's costs.

## **11. IS ELECTRONIC DELIVERY MANDATORY?**

No. Electronic delivery is voluntary; if you do not consent, you will continue to receive documentation by mail.

## **12. IF I CONSENT TO ELECTRONIC DELIVERY, WHEN WILL THE DOCUMENTATION BE AVAILABLE?**

If you consent to electronic delivery, you will be notified by e-mail of the availability on the Company's website ([www.genworth.ca](http://www.genworth.ca)) of all documentation which must be sent to you by law.

## **13. HOW CAN I CONSENT TO ELECTRONIC DELIVERY?**

By completing and returning the accompanying reply card.

## **14. HOW DO I VOTE?**

### ***Registered Shareholders:***

A registered Shareholder can vote by delivering a proxy to CST in one of the following ways:

By mail: Canadian Stock Transfer Company Inc.  
P.O. Box 721  
Agincourt, ON M1S 0A1

By fax: (416) 368-2502 (in the Greater Toronto Area); or  
1-866-781-3111 (Toll Free)

In person: Canadian Stock Transfer Company Inc.  
320 Bay Street  
Basement Level (B1 Level)  
Toronto, ON M5H 4A6

IF YOUR SHARES ARE NOT REGISTERED IN YOUR NAME (E.G., IF THEY ARE HELD THROUGH AN INTERMEDIARY), DO NOT USE THE ABOVE FAX NUMBERS AS THEY ARE RESERVED FOR REGISTERED SHAREHOLDERS. INSTEAD, USE THE FAX NUMBERS, IF ANY, PROVIDED BY YOUR INTERMEDIARY.

***Beneficial Shareholders:***

There are two ways that you can vote your Shares if you are a Beneficial Shareholder:

(i) **By Providing Voting Instructions to Your Intermediary**

Your Intermediary is required to seek voting instructions from you in advance of the Meeting. Accordingly, you will receive from your nominee either a request for voting instructions or a proxy form for the number of Shares you hold.

Every Intermediary has its own procedures which should be carefully followed by Beneficial Shareholders to ensure that their Shares are voted at the Meeting. Please contact your Intermediary for instructions in this regard.

(ii) **By Attending the Meeting in Person**

The Company does not have access to the names of Beneficial Shareholders. Therefore, if you attend the Meeting, the Company will have no record of your shareholdings or of your entitlement to vote unless your Intermediary has appointed you as proxyholder. If you wish to vote in person at the Meeting, insert your own name in the space provided on the request for voting instructions or proxy form to appoint yourself as proxyholder and follow the instructions of your Intermediary. Beneficial Shareholders who instruct their nominee to appoint themselves as proxyholders should present themselves to a representative of CST at the Meeting.

**INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON**

None of the directors or executive officers of the Company, nominees for election as directors, nor persons who have been directors or executive officers of the Company since the commencement of the Company's last financial year and no associate or affiliate of any of the foregoing persons has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting, other than the election of directors.

**VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES**

As at the date hereof, the Company has 98,741,567 Common Shares issued and outstanding, each of which entitles the holder to one vote per Common Share.

**Principal Shareholders**

As at the date hereof, to the knowledge of the Board, Brookfield Life Assurance Company Limited ("**Brookfield**") and Genworth Mortgage Insurance Corporation ("**GMIC**"), each a wholly-owned subsidiary of Genworth Financial, Inc. ("**Genworth Financial**") are the only entities that beneficially own, directly or indirectly, control or direct voting securities of the Company carrying 10% or more of the voting rights attached to any class of voting securities of the Company. Based on information publicly filed with applicable securities regulatory authorities, as of the date hereof, Genworth Financial, via Brookfield, GMIC, Genworth Mortgage Insurance Corporation of North Carolina ("**GMIC-NC**") and Genworth Residential Mortgage Assurance Corporation ("**GRMAC**"), each a wholly owned subsidiary of Genworth Financial, owns or exercises control over one Special Share and 56,710,094 Common Shares, representing approximately 57.4% of the issued and outstanding Common Shares of the Company.

**Special Share Rights**

The articles of the Company authorize a class of special shares. The rights, privileges, restrictions and conditions of the special shares provide that only one such share may be authorized for issuance. The Special Share provides rights to Genworth Holdings, Inc., a wholly-owned subsidiary of Genworth Financial, via Brookfield, with respect to the election of a portion of the Board of the Company. The attributes of the Special Share provide that the holder of the Special Share is entitled to nominate and elect a certain number of directors to the Board, as determined by the number of Common Shares that the holder of the Special Share and its subsidiaries beneficially own from time to time. Accordingly, for so long as Genworth Holdings, Inc. beneficially owns a specified percentage of Common Shares, the holder of the Special Share is entitled to nominate and elect a specified number of the Company's directors rounded to the nearest whole number, as set out in the table below.



<u>Common Share Ownership</u>	<u>Number of Directors</u>
Greater than or equal to 50% .....	5/9
Less than 50% but not less than 40% .....	4/9
Less than 40% but not less than 30% .....	3/9
Less than 30% but not less than 20% .....	2/9
Less than 20% but not less than 10% .....	1/9
Less than 10% .....	None

See “*Business of the Meeting – Election of Directors – Director Nominees*” below for an indication of those nominees who are the nominees of Genworth Financial.

Under the terms of the Shareholder Agreement dated July 7, 2009, as amended July 28, 2011 and April 1, 2013, among the Company, Brookfield, GMIC, GMIC-NC, GRMAC, Genworth Holdings, Inc. and Genworth Financial (the “**Shareholder Agreement**”), Genworth Holdings, Inc., as the beneficial holder, has agreed not to vote its Common Shares for the election of directors at any Shareholders meeting at which it exercises its rights to elect directors under the Special Share. However, where Genworth Holdings, Inc. does not exercise its Special Share director election rights, it is permitted to vote its Common Shares for the election of directors. Genworth Holdings, Inc. may also exercise the voting rights attached to Common Shares beneficially owned by it on any other matter.

In accordance with the terms of the Shareholder Agreement, Genworth Holdings, Inc., a wholly-owned subsidiary of Genworth Financial, has notified the Company that it has elected not to exercise its rights to elect directors under the Special Share. Therefore, Genworth Financial, via Brookfield, GMIC, GMIC-NC and GRMAC, will vote the Common Shares it beneficially owns in connection with the election of the nine nominee directors.

## **BUSINESS OF THE MEETING**

### **1. Election of Directors**

The articles of the Company provide that the Board of the Company shall consist of a minimum of three directors and a maximum of fifteen directors. The Board has determined that, at the present time, nine is an appropriate number of directors for the Board. The term of office of each director currently in office expires at the close of the Meeting. Each director elected at the Meeting shall hold office until the close of the next annual meeting of the Shareholders, unless he or she resigns or his or her office becomes vacant for any reason.

The following table sets forth information with respect to each of the nine persons who are proposed as nominees for election as directors of the Company by holders of the Common Shares, including the name, province or state, and country of residence of each of the proposed nominees for election as directors, all other positions and offices with the Company now held by each nominee, his present principal occupation or employment, his business experience over the last five years, the period during which he has served as director, the number of securities of the Company (including Common Shares, options to purchase Common Shares (“**Options**”), Restricted Share Units (“**RSUs**”), Deferred Share Units (“**DSUs**”) and Performance Share Units (“**PSUs**”)) beneficially owned by him, as at the date of this Circular, over which each nominee has or shares voting or investment power, and attendance record for all applicable meetings held in 2012. The information as to securities beneficially owned, directly or indirectly, or over which control or direction is exercised, not being within the knowledge of the Company, has been furnished by the respective proposed nominees individually.

## Director Nominees

### Brian Hurley – Genworth Financial Nominee



Mr. Hurley is the Chairman of the Board, Chief Executive Officer and a director of the Company. Prior to his current role, Mr. Hurley was President, Genworth International – Asia Pacific, Canada & Latin America, Genworth Financial from September 2004 to May 2009, with responsibility for Genworth Financial’s activities in key markets around the world. Mr. Hurley is a graduate of the General Electric Company (“**General Electric**”) Financial Management Program and has held numerous financial leadership positions within General Electric and GE Capital.

Residence:	Ontario, Canada	
Age:	54	
Director since:	May 25, 2009	
Securities Held:	46,979 Common Shares, 484,100 Options, 28,465 RSUs and 32,489 PSUs	
Attendance:	Board meetings	10 of 10

### Robert Brannock – Genworth Financial Nominee



Mr. Brannock is a director of the Company and is the President and Chief Executive Officer of Genworth Financial’s Lifestyle Protection business, a position he has held since December 2011, and prior to that from August 2005 to January 2007. Prior to his current role, Mr. Brannock was President and Chief Executive Officer of Genworth Financial – Europe, a position which he held from January 2007 to November 2011. In addition, Mr. Brannock was a director of Genworth Financial Mortgage Insurance Company Canada (“**Genworth Mortgage Insurance Canada**”) from February 2007 to July 2008. Mr. Brannock joined General Electric in 1993 following its acquisition of Irish commercial aircraft sales and leasing company, Guinness Peat Aviation.

Residence:	County Clare, Ireland	
Age:	54	
Director since:	May 25, 2009	
Securities Held:	–	
Attendance:	Board meetings	7 of 10

**Robert Gillespie – Independent Director<sup>(1)</sup>**

Mr. Gillespie is a director of the Company. He is also the Corporate Director and President of Gilvest Inc. (a private holding company), and is the former Chairman and Chief Executive Officer, General Electric Canada Inc. (“**General Electric Canada**”). Mr. Gillespie has been a director of Genworth Mortgage Insurance Canada since 1995. Mr. Gillespie held various management positions at General Electric Canada, including Vice-President, Strategic Planning and Review, Vice-President, Consumer Products Business Division and Vice-President, Consumer and Construction Products.

Residence:	Ontario, Canada	
Age:	81	
Director since:	June 30, 2009	
Securities Held:	1,000 Common Shares, 10,059 DSUs	
Committee Memberships:	Audit Committee and Compensation and Nominating Committee	
Attendance:	Board meetings	10 of 10
	Audit Committee meetings	7 of 7
	Compensation and Nominating Committee meetings	10 of 10

**Sidney Horn – Independent Director<sup>(1)</sup>**

Mr. Horn is the lead director of the Company. Mr. Horn has been a member of Genworth Mortgage Insurance Canada’s board of directors since 1995. Mr. Horn is a partner at the law firm of Stikeman Elliott LLP and specializes in commercial, corporate and securities law. Mr. Horn is also a director of Astral Media Inc.

Residence:	Québec, Canada	
Age:	62	
Director since:	June 30, 2009	
Securities Held:	5,000 Common Shares, 12,219 DSUs	
Committee Memberships:	Audit Committee and Compensation and Nominating Committee	
Attendance:	Board meetings	9 of 10
	Audit Committee meetings	6 of 7
	Compensation and Nominating Committee meetings	10 of 10

**Brian Kelly – Independent Director<sup>(1)</sup>**

Mr. Kelly is a director of the Company. Mr. Kelly has been a member of Genworth Mortgage Insurance Canada's board of directors since 2004 and Chairman of its audit committee since November 2005. Prior to his retirement in 1998, Mr. Kelly held positions with several General Electric businesses, including General Manager of General Electric Hydro Business operations in China, Chief Financial Officer of General Electric Canada Motors and General Electric Power Systems Canada. Mr. Kelly also served on the Prime Minister of Canada's Executive Exchange Program for two years.

Residence:	Ontario, Canada	
Age:	62	
Director since:	June 30, 2009	
Securities Held:	2,750 Common Shares, 9,443 DSUs	
Committee Memberships:	Audit Committee and Risk, Capital and Investment Committee	
Attendance:	Board meetings	10 of 10
	Audit Committee	7 of 7
	Risk, Capital and Investment Committee meetings	4 of 4

**Samuel Marsico – Genworth Financial Nominee**

Mr. Marsico is a director of the Company and Senior Vice President and Chief Risk Officer of Genworth Financial, Global Mortgage Insurance, a position he has held since May 2012. Prior to his current role, Mr. Marsico was the Senior Vice President and Chief Risk Officer of Genworth Financial, US Mortgage Insurance and International from July 2008 to April 2012. Between January 2006 and July 2008, Mr. Marsico served as Genworth Financial's Chief Risk Officer. Mr. Marsico joined General Electric Mortgage Insurance in August 1997 as Chief Financial Officer, with responsibility for the company's financial operations.

Residence:	North Carolina, U.S.A.	
Age:	56	
Director since:	June 30, 2009	
Securities Held:	3,624 Common Shares	
Committee Memberships:	Risk, Capital and Investment Committee	
Attendance:	Board meetings	9 of 10
	Risk, Capital and Investment Committee meetings	4 of 4

**Leon Roday – Genworth Financial Nominee**

Mr. Roday is a director of the Company. Mr. Roday is the Senior Vice President, General Counsel and Secretary of Genworth Financial, which he has been since 2004. Mr. Roday held the same position for General Electric Financial Assurance from 1996. Before joining General Electric, he was a partner at LeBoeuf, Lamb, Greene, and McRae for 14 years. He is a member of the New York State and Virginia Bar Associations.

Residence: Virginia, U.S.A.

Age: 59

Director since: June 30, 2009

Securities Held: 3,020 Common Shares

Committee Memberships: Compensation and Nominating Committee

Attendance: Board meetings 8 of 10

Compensation and Nominating Committee meetings 9 of 10

**Jerome Upton – Genworth Financial Nominee**

Mr. Upton is a director of the Company and Chief Financial Officer and Chief Operations Officer of Genworth Financial, Global Mortgage Insurance, a position he has held since May 2012. Prior to his current role, Mr. Upton was the Senior Vice President and Chief Operating Officer for Genworth Financial, International Mortgage Insurance, from October 2009 to April 2012. Mr. Upton served as Senior Vice President and Chief Financial Officer, Genworth Financial International – Asia Pacific, Canada and Latin America from November 2007 to September 2009. Mr. Upton joined General Electric in July 1998.

Residence: North Carolina, U.S.A.

Age: 49

Director since: June 30, 2009

Securities Held: 906 Common Shares

Committee Memberships: Risk, Capital and Investment Committee

Attendance: Board meetings 9 of 10

Risk, Capital and Investment Committee meetings 4 of 4

**John Walker – Independent Director<sup>(2)</sup>**

Mr. Walker is a director of the Company. Mr. Walker joined the board of directors of Genworth Mortgage Insurance Canada in June 1996. Mr. Walker is currently a partner in the law firm Walker Sorensen LLP, specializing in advising insurance and reinsurance companies. Prior to founding Walker Sorensen LLP in 2007, he was a sole practitioner, focusing on providing opinion advice to clients on business and insurance matters. Mr. Walker has previously served as a member of the board of directors of a number of financial institutions, including TD Trust Company and Concordia Life Insurance Company.

Residence:	Ontario, Canada	
Age:	60	
Director since:	May 6, 2011	
Securities Held:	5,000 Common Shares, 5,397 DSUs	
Attendance:	Board meetings	9 of 10

## Notes:

- (1) Independent within the meaning of *National Instrument 52-110 – Audit Committees*.  
 (2) Independent within the meaning of *National Instrument 58-101 – Disclosure of Corporate Governance Practices*.

The Board recommends a vote “for” the election of each of the nominees listed above to serve on the Board until the next annual meeting of Shareholders. **In the absence of a contrary instruction, or where no instruction is indicated, the persons designated by management of the Company in the enclosed form of proxy intend to vote FOR the election as directors of the proposed nominees whose names are set forth above.** The nominees set forth above have consented to being named in this Circular and to serve if elected. The Company does not contemplate that any of the proposed nominees will be unable or unwilling to serve as a director, but if for any reason, at the time of the Meeting any of the nominees are unable to serve, and unless otherwise specified, it is intended that the persons designated in the form of proxy will vote in their discretion for a substitute nominee or nominees.

**Majority Voting Policy**

In 2012, the Company implemented a majority voting policy (the “**Majority Voting Policy**”) which will be in effect at the Meeting. The Company’s form of proxy allows a Shareholder to vote in favour of, or withhold from voting for, each director nominee individually. Pursuant to the Majority Voting Policy, if at any uncontested meeting of the Shareholders at which directors are elected, a director nominee receives more “withheld” votes than votes “for”, despite being duly elected as a matter of corporate law, the Board shall consider the nominee to not have received the support of the Shareholders, and such nominee shall be required to submit his or her resignation forthwith to the Board. The Board shall refer such nominee’s resignation to the Compensation and Nominating Committee for consideration, and unless the Committee determines that there are appropriate circumstances that should delay the acceptance of the resignation or justify rejecting it, the Board shall accept the resignation. Such nominee’s resignation shall be effective upon acceptance by the Board. Subject to any corporate law restrictions, the Board may: (i) leave any vacancy in the Board unfilled until the later of the next annual meeting of Shareholders; (ii) fill any vacancy in the Board by appointing a new director or directors whom the Board considers to merit the confidence of the Shareholders; or (iii) call a special meeting of Shareholders to consider new Board nominee(s) to fill the vacant position(s). The Majority Voting Policy does not apply at any contested meeting of Shareholders where directors are elected (i.e., a meeting of the Shareholders where proxy solicitation material is circulated in support of one or more nominees who are not part of the group of director nominees supported by the Company).

As of the date hereof, Genworth Financial, via Brookfield, GMIC, GMIC-NC and GRMAC, owns or exercises control over approximately 57.4% of the issued and outstanding Common Shares of the Company. In accordance with the terms of the Shareholder Agreement, Genworth Holdings, Inc., a wholly-owned subsidiary of Genworth Financial, has notified the Company that it has elected not to exercise its rights to elect directors under the Special Share, and therefore will vote the Common Shares it owns or exercises control over in connection with the election of the nine nominee directors.

**Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

Other than as specified below, no proposed director of the Company is, or within the ten years prior to the date hereof has been, a director, chief executive officer or chief financial officer of any company (including Genworth Canada) that (i) was subject to an order that was issued while acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to such an order that was issued after that person ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while the person was acting in that capacity. Robert Gillespie, a director of the Company, was a

director of Atlas Cold Storage Holdings Inc. (“**Atlas**”) at a time when all directors of Atlas were subject to a cease trade order as a result of a failure by Atlas to file quarterly financial statements within the time required under Canadian securities law. The cease trade order was lifted on May 11, 2004.

No proposed director of the Company is, as at the date of this Circular, or has been within ten years before the date of this Circular, a director or executive officer of any company (including Genworth Canada) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets. In addition, no proposed director of the Company has, within the 10 years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that person.

No proposed director has been subject to (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable Shareholder in deciding whether to vote for a proposed director.

## **2. Appointment of Auditors**

KPMG LLP (“**KPMG**”) are the present auditors of the Company. At the Meeting, Shareholders will be requested to re-appoint KPMG as the auditors of the Company to hold office until the next annual meeting of Shareholders or until a successor is appointed, and to authorize the Board to fix the auditors’ remuneration. KPMG have been the Company’s auditors since May 25, 2009.

The Board recommends a vote “for” the re-appointment of KPMG as auditors for the Company until the next annual meeting of Shareholders or until a successor is appointed and the authorization of the Board to fix the auditors’ remuneration. **In the absence of a contrary instruction, or where no instruction is indicated, the persons designated by management of the Company in the enclosed form of proxy intend to vote FOR the re-appointment of KPMG as auditors for the Company until the next annual meeting of Shareholders or until a successor is appointed and the authorization of the Board to fix the auditors’ remuneration.**

## **EXECUTIVE COMPENSATION**

### **Compensation Discussion and Analysis**

The following compensation discussion and analysis provides an overview of the compensation programs and policies of the Company and its subsidiary Genworth Mortgage Insurance Canada, including material compensation decisions for the Company’s named executive officers and a summary of the Compensation and Nominating Committee’s process to govern executive compensation on behalf of the Board.

For the financial year ended December 31, 2012 (“**Fiscal 2012**”), the Company’s named executive officers included the Chief Executive Officer, Chief Financial Officer and the Company’s next four most highly compensated executives, (collectively, the “**NEOs**”). On April 19, 2012, the Company and Peter Vukanovich entered into a new agreement regarding the employment of Mr. Vukanovich (see “*Executive Compensation – Termination and Change of Control Benefits – Termination Benefits*”). Mr. Vukanovich ceased performing the role of Executive Vice President, Corporate Development as of April 30, 2012. Upon the departure of Mr. Vukanovich from his senior position with the Company in Fiscal 2012, Winsor Macdonell, Senior Vice President, Secretary and General Counsel, became a NEO in Fiscal 2012. The following individuals are the NEOs for Fiscal 2012:

- Brian Hurley, Chairman of the Board and Chief Executive Officer (“**CEO**”);
- Philip Mayers, Senior Vice President and Chief Financial Officer (“**CFO**”);
- Stuart Levings, Senior Vice President, Chief Operations Officer (“**COO**”);
- Deborah McPherson, Senior Vice President, Sales and Marketing (“**SVP, Sales & Marketing**”);
- Winsor Macdonell, Senior Vice President, Secretary and General Counsel (“**SVP, GC**”); and
- Peter Vukanovich, Former Executive Vice President, Corporate Development (“**Former EVP**”).

This following compensation discussion and analysis should be read together with the compensation tables and related disclosures in respect of Fiscal 2012 set forth below. This discussion contains forward-looking statements that are based on the Company’s current compensation plans, considerations, expectations and projections regarding future compensation programs. Actual compensation programs that the Company adopts in the future may differ materially from currently planned compensation programs

as summarized in this discussion and the Company assumes no obligation to update any such information, except as otherwise required by applicable law.

### ***Highlights for 2012***

In evaluating Fiscal 2012 performance, the Compensation and Nominating Committee of the Board considered both financial and operational factors regarding the Company. The financial factors were given a 75% weighting towards the funding of the Company's short-term incentive compensation goals through its Variable Incentive Compensation ("VIC") program and the operational factors were given a 25% weighting towards the funding of these goals.

The key financial metrics included net operating income, return on equity, capital in excess of internal target and ordinary dividends. In Fiscal 2012, the results for these metrics were as follows:

<b>Financial Metrics (Total 75% Weighting)</b>	<b>Weighting (%)</b>	<b>2012 Target</b>	<b>2012 Results</b>
Net operating income	34	\$333 million	\$339 million <sup>(1)</sup>
Return on equity	22.5	13%	13% <sup>(1)</sup>
Capital in excess of internal target	11	\$173 million	\$234 million <sup>(1)</sup>
Ordinary dividends	7.5	\$119 million	\$117.4 million

Note:

(1) Excluding the \$166 million (\$122 million after tax) cumulative prior year impact from the reversal of government guarantee fund exit fees.

Net operating income was \$339 million, which was 102% of the Fiscal 2012 target of \$333 million, primarily the result of favourable premiums earned, offset by higher losses on claims. Return on equity was 13%, which was 100% of the Fiscal 2012 target, primarily the result of favourable operating income and prudent capital management actions. Capital in excess of the internal target was \$234 million, which was 135% of the Fiscal 2012 target of \$173 million, due primarily to ongoing capital management activities. Capital in excess of the internal target is defined as the excess of capital above the Genworth Mortgage Insurance Canada's minimum capital test ratio operating target as well as the excess holding company cash. Finally, the ordinary dividend result was \$117.4 million, which was 98% of the Fiscal 2012 target of \$119 million, primarily the result of marginally fewer outstanding Common Shares.

In Fiscal 2012, operational objectives included: growth of market share; enhancing commercial capabilities; loss mitigation savings; and continuing government relations activity to support the private mortgage insurance market. While the Company's overall market share remained approximately flat in Fiscal 2012 when compared to 2011, the Company successfully executed its low loan-to-value portfolio insurance strategy and grew its market share position in the mortgage bank and credit union sectors through the execution of a customized sales and service strategy. The Company also expanded its loss mitigation programs, resulting in higher loss mitigation savings primarily from loan workouts, its real estate owner program and recoveries. Finally, the Company made solid progress in its efforts to ensure a consistent regulatory framework for all mortgage insurers. In Fiscal 2012, a government guarantee legislative framework was finalized that enhanced the Company's claim paying ability and resulted in a one-time gain of \$122 million (after tax) from the elimination of exit fees. As well, the Office of the Superintendent of Financial Institutions ("OSFI") became responsible for the Canadian Mortgage and Housing Corporation in 2012 and now oversees all mortgage insurance companies.

### ***Looking Ahead to 2013***

In 2012, the Compensation and Nominating Committee conducted a comprehensive review of the compensation levels for the NEOs and the design of the Company's long-term incentive plans to ensure alignment with the Company's business strategy. As a result of these reviews, the Compensation and Nominating Committee and the Board approved the following changes to the Company's executive compensation programs for 2013:

- NEO base salary increases ranging between 3% and 10%, effective March 4, 2013. The CEO did not receive an increase for 2013 as he received a mid-year market adjustment in 2012. The increases for the other NEOs reflect an annual merit increase (of approximately 3%) or market based adjustment (10%) to improve competitive alignment with the external market for executive talent;
- adjustments to the mix of long-term incentive vehicles for 2013 grants, placing greater weight on PSUs and reducing the weight of Options. The weight on time-vesting RSUs will remain the same. For 2013, the grant date value of long-term incentive awards included 50% PSUs, 25% Options and 25% RSUs (from 25%, 50% and 25%, respectively, in Fiscal 2012); and
- adjustments to the number and mix of measures in the Company's Share Incentive Plan (as defined herein). To simplify the design and to better align with the Company's overall business strategy, the total number of measures



were reduced from four measures to two, weighted 50% each. The measures will be basic earnings per Common Share and operating return on equity.

### ***Compensation Objectives***

The Company's executive compensation programs are designed to align the interests of its executives with those of its Shareholders. A significant portion of executive compensation is linked to the achievement of business specific metrics and the creation of Shareholder value. The Company's compensation strategy has the following key goals:

- attract and retain high performing employees through market competitive compensation programs;
- align incentive compensation with the interests of the Company;
- support the Company's values and motivate employees to achieve increasingly higher levels of performance and contributions; and
- maintain programs that are flexible to adjust to changing business needs, competitive environments and market practices.

To achieve these goals, the Company uses the following guiding principles to establish its compensation programs for executive officers and to guide individual compensation decisions:

- aggregate of salary, short-term and long-term incentives are benchmarked against the median of a select comparator group of companies in the Canadian financial service sector of a similar size and scope of operations;
- the NEO's position and ability to impact the short-term and long-term performance of the Company is considered in determining the mix of pay and the weighting of short-term and long-term incentives; and
- superior performance by individuals and the Company may result in above-market compensation, and likewise, individual and Company performance that falls short of expectations may result in below-market compensation.

### ***Compensation Governance***

Overview and management of compensation for executives and directors is primarily the responsibility of the Compensation and Nominating Committee of the Board. The Compensation and Nominating Committee is responsible for the approval of compensation policies and guidelines for the NEOs, the recommendation to the Board of compensation arrangements for the directors and for the CEO, the management of incentive compensation plans and equity compensation plans, and the review of succession plans for management. See "*Corporate Governance – Mandates*" and "*Corporate Governance – Compensation and Nominating Committee*" for a further discussion of this Committee's mandate and its composition.

Each member of the Compensation and Nominating Committee has experience in senior leadership roles, strong knowledge of the financial services and mortgage insurance industry and the majority have tenure as a director of other public companies. The background of the members of the Compensation and Nominating Committee provides the Committee with the collective experience, skills and capabilities to effectively support the Board. Each member of the Compensation and Nominating Committee has served on the Committee since 2009 and has been engaged in the review of the performance and compensation of Company personnel throughout such time.

The Compensation and Nominating Committee provides governance of the Company's compensation programs by annually:

- overseeing the Company's major compensation programs and policies to ensure alignment with the Company's interests and business needs;
- reviewing compensation-related risks to ensure the compensation program design, processes and safeguards enacted are effective to mitigate excessive risk-taking;
- benchmarking the Company's target compensation for the NEOs against a select comparator group of companies to ensure competitiveness of the Company's compensation programs to attract and retain talent;
- setting the performance goals and objectives for the CEO and reviewing the performance objectives and goals for the other NEOs; and
- recommending the target and actual compensation of the CEO and other NEOs to the Board for approval.

### **Compensation Consultants**

In May 2012, the Compensation and Nominating Committee retained Hugessen Consulting Inc. (“**Hugessen**”) as its independent compensation consultant. To support an effective governance framework, Hugessen provides the Compensation and Nominating Committee with independent advice, analysis and expertise to assist the Committee in evaluating compensation recommendations put forward by management. In Fiscal 2012, Hugessen provided the following services to the Compensation and Nominating Committee:

- attended and contributed at Compensation and Nominating Committee meetings;
- reviewed compensation materials to provide independent advice and counsel on the meeting contents and recommendations;
- assisted the Compensation and Nominating Committee with evaluating management recommendations;
- education of the Compensation and Nominating Committee on evolving governance trends and best practices; and
- assisting the Chair of the Compensation and Nominating Committee in preparing performance and compensation recommendations for the CEO.

The compensation decisions made by the Compensation and Nominating Committee are the responsibility of the Compensation and Nominating Committee and may reflect factors and considerations in addition to the information and recommendations from Hugessen.

The Company retained Mercer (Canada) Limited (“**Mercer**”) until April 2012, to assist with a review of the Company’s executive compensation programs. The Company continues to retain Mercer to provide pension consulting services for the Company. For the remainder of 2012, Towers Watson & Co. (“**Towers Watson**”) was retained by the Company to provide competitive market information and executive compensation survey data and trends, as well as provide external opinions and advice on executive compensation matters. Towers Watson supported management and the Compensation and Nominating Committee with the following activities:

- developed and recommended two new market comparator groups;
- completed a competitive review of executive target compensation levels for Fiscal 2012 and;
- reviewed and recommended modifications to the design of the Company’s long-term incentive plans for 2013;
- conducted a review of material executive compensation program-related risks; and
- attended and contributed at Compensation and Nominating Committee meetings.

The total professional fees paid to the Compensation and Nominating Committee’s independent advisors in Fiscal 2012 and 2011 were as follows:

<b>Services Completed</b>	<b>Hugessen</b>	<b>Mercer</b>		<b>Towers Watson</b>
	<b>Fiscal 2012 (\$)</b>	<b>Fiscal 2012 (\$)</b>	<b>Fiscal 2011 (\$)</b>	<b>Fiscal 2012 (\$)</b>
Executive compensation-related fees	151,944	84,352	88,054	233,605
All other fees	-	-	134,219	98,102
<b>Total</b>	151,944	84,352	222,273	331,707

### **Risk Assessment of Compensation Programs**

The Board is ultimately responsible for the management of business-related and compensation-related risks. To encourage behaviour that is the best interest of the Company and its Shareholders, all inherent and residual risks are regularly identified, reviewed and managed by the Board.

From a governance perspective, the Risk, Capital and Investment Committee has oversight responsibility for all activities related to risk management on behalf of the Board. On a regular basis, the Risk, Capital and Investment Committee reviews and assesses the adequacy of the Company's practices to monitor corporate risk exposure.

Management of the Company and supporting control function roles (i.e., Human Resources, Finance, Legal) are responsible for identifying, measuring and managing existing risk exposure. This includes developing and implementing strategies to mitigate and monitor risks.

All compensation, benefits and other human resources policy design for senior executives is centralized in Human Resources with oversight and approval by the Compensation and Nominating Committee, on behalf of the Board. The Compensation and Nominating Committee regularly reviews the compensation programs of the Company to ensure that significant controls and appropriate decision authorities are in place to monitor for potential risks associated with short-term and long-term incentive plans. The Compensation and Nominating Committee also endeavours to ensure that the size of the awards related to any given incentive plan metric, within the influence of a key decision maker, is not significant enough to encourage excessive risk-taking. The Compensation and Nominating Committee is responsible for approving all compensation, benefits and human resources policies and programs for the Company, and for the compensation design for the NEOs with the exception of the CEO. The Compensation and Nominating Committee recommends the CEO's compensation design to the Board for approval.

In 2012, the Compensation and Nominating Committee on behalf of the Board reviewed the executive compensation programs from a risk management perspective. The review was completed with consideration of the principles established by the OSFI, the Financial Stability Board, and the Canadian Coalition for Good Governance. Results of the review concluded that the Company's executive compensation programs and practices continue to align with effective risk management and are unlikely to have a material adverse effect on the Company.

The Company's compensation programs are designed to align with the Company's business strategy and risk profile. The following key risk-mitigating features are included in the Company's compensation governance process and compensation structure.

- *Compensation objectives.* The Company has formalized compensation objectives to effectively guide executive compensation decisions and incentive plan designs.
- *Committee discretion.* Current incentive compensation programs provide the Compensation and Nominating Committee with discretion to assess performance and modify awards as it deems appropriate to ensure the continued alignment of performance and awards, all subject to final approval of the Board.
- *External independent compensation advisor.* On an on-going basis, the Compensation and Nominating Committee retains the services of an independent compensation advisor to provide an external perspective of market changes and best practices related to compensation design, governance and risk management.
- *Annual review of performance objectives.* Every year the Company reviews the short-term and long-term performance targets and range (threshold and maximum) to assess alignment with the Company's business strategy, plan and risk profile. When new incentive plans are considered, they are stress tested to ensure the payouts would be reasonable relative to performance outcomes.
- *Variable compensation mix.* For the NEOs, a significant portion of target total compensation is delivered through variable compensation. The majority of the value of target variable compensation is delivered through the Company's long-term incentive plans. This balanced approach to compensation mix provides a strong pay-for-performance relationship, while providing a competitive base level of compensation through salary, and mitigates the risk of rewarding short-term goals at the expense of long-term Shareholder value.
- *Incentive plan payouts capped.* The Company's short-term incentive plan has a maximum corporate funding payout of 150% of target. The PSU payout factor is also capped at 150% of target. PSUs are subject to clawback under certain conditions.
- *Share ownership requirement.* All NEOs are required to maintain a defined value of Common Share ownership to align their interests with the long-term performance of the Company.
- *Insider Trading Policy.* The Company maintains and updated regularly its Insider Trading Policy. This Policy prohibits, among other things, insider trading, tipping, speculating, short selling, puts and calls, and defines specific black-out periods in trading of the Company's securities. The Insider Trading Policy applies to the equity-based compensation positions in the Company.

- *Anti-hedging policy.* The Company prohibits all employees from hedging equity-based compensation positions in the Company as outlined in the Company's Insider Trading Policy.
- *Change of Control Plan.* The Company's Change of Control Plan (as defined herein) provides severance benefits to participating executives in the event of a change of control and a qualifying termination. The intent of the program is to allow the executive to remain neutral to the possibility of corporate transactions. The Change of Control Plan was designed with consideration of applicable employment law requirements, control for costs, market norms and best practices. See "*Termination and Change of Control Benefits – Change of Control and Qualified Termination Benefits*".

### **Evaluating Market Competitiveness**

The Company's compensation philosophy is to position target total direct compensation near the median of the competitive market. In addition, the Compensation and Nominating Committee reviews each compensation component separately. The Committee will further consider each NEO's individual performance, experience and responsibilities. Based on this assessment individual NEOs may have higher or lower target compensation levels compared to the market median.

Annually, the Compensation and Nominating Committee evaluates the competitiveness of the Company's executive compensation programs. When setting target total direct compensation levels (including salary, short-term and long-term incentive targets) for each NEO, the Compensation and Nominating Committee reviews the competitiveness of pay against relevant market compensation data.

In December 2011, Mercer was engaged, to conduct a formal review of the Company's comparator group for CEO and other NEO compensation. Following this review, in March 2012, the Compensation and Nominating Committee approved a new comparator group of 17 companies of comparable revenue size and scope of operations to the Company, including the following:

<b>Fiscal 2012 Proxy Data Comparator Group – Approved March 2012</b>		
AGF Management Ltd.	CI Financial Corp.	Co-operators General Insurance Co.
Dundee Corp.	E-L Financial Corp. Ltd.	Equitable Group Inc.
Fairfax Financial Holdings	GMP Capital Inc.	Home Capital Group Inc.
HomeQ Corp.	IGM Financial Inc.	Industrial Alliance Insurance and Financial Services Inc.
Intact Financial Corp.	Pacific & Western Credit Corp.	Westaim Corp.

Using this comparator group, Mercer conducted a market analysis for the CEO and CFO roles. Based on this analysis, the Compensation and Nominating Committee recommended to the Board, and the Board approved for both roles, no market adjustment, but an annual merit increase.

In May, upon retaining Hugessen and Towers Watson as the independent consultants to the Compensation and Nominating Committee and management respectively, the Committee requested a continuation of the comparator group review. In June, the Compensation and Nominating Committee approved the use of an updated comparator group to complete a mid-year assessment of target total direct compensation for all NEOs. The comparator group was updated to reflect the Company's industry, relative size (as measured by assets and market capitalization) and the Canadian market for executive talent and included the following criteria:

- diversified financial services industry including, insurance, banking, asset management (excluding real estate), and mortgage finance; and
- market capitalization and assets between approximately one-fifth and five times the Company's size.

The approved comparator group used for the mid-year assessment in Fiscal 2012 included, among others, the following Canadian companies:

Fiscal 2012 Proxy Data Comparator Group – Approved June 2012		
AGF Management Ltd.	CI Financial Corp.	Dundee Corp. <sup>(1)</sup>
E-L Financial Corp. Ltd. <sup>(1)</sup>	Equitable Group Inc.	First National Financial <sup>(1)</sup>
Home Capital Group Inc.	Intact Financial Corp.	

Note:

- (1) When benchmarking CEO compensation, this company was excluded from the comparator group, as at the time of analysis, the CEO of such company was either a major shareholder of the company or had family connections to its controlling shareholder(s), which could impact the level of compensation.

To further supplement the comparator group compensation data, Towers Watson utilized available survey data for relevant benchmark roles. The survey data peer group included 17 Canadian, publicly-traded, general industry organizations (excluding oil and gas and metals and mining industries) with revenues between \$200 million and \$2 billion. The survey data comparator companies included, among others:

Fiscal 2012 Survey Data Comparator Group – Approved June 2012		
CCL Industries Inc.	Cineplex Entertainment Inc.	Cogeco Inc.
Great Canadian Gaming Corp.	Lululemon Athletica Inc.	MacDonald, Dettwiler and Associates Ltd.
Morneau Shepell Inc.	MTS Allstream Inc.	Ritchie Bros. Auctioneers
ShawCor Ltd.	Stantec Inc.	The Equitable Trust Company
The Forzani Group Ltd.	TMX Group Inc.	Uni-Select
Yellow Media Inc.		

Using the proxy data and survey data comparator groups, the results of this analysis confirmed that NEO compensation was generally positioned below the median of the market. The Compensation and Nominating Committee recommended, and the Board approved, a mid-year base market adjustment for the CEO from \$586,000 to \$625,000 (an increase of 6.7%), effective July 1, 2012. The CEO's target short-term incentive was also increased to 125% of base salary. For the other NEOs, it was recommended by management and supported by the Compensation and Nominating Committee to defer adjustments to target compensation levels until the year-end review process, to be effective in 2013.

### ***Overview of Compensation Elements***

The Company's executive compensation package includes base salary, performance-based incentive awards, benefits, retirement plans, executive allowance and perquisites. The fixed elements (base salary, benefits, retirement plans, executive allowance, and perquisites) provide a competitive base of compensation necessary to attract, retain and motivate executive talent. The variable elements (short-term and long-term incentives) are designed to balance short-term objectives with the long-term interests of the Company, to motivate superior performance against both timeframes and to reward the attainment of individual and business objectives. In addition, the design features of the incentive programs are intended to dissuade individuals from taking inappropriate or excessive risks. The combination of the fixed elements and the variable incentive opportunities delivers a competitive compensation package when compared to the comparator groups used by the Company. Below is a description of the compensation elements, forms of compensation, performance periods and how the amount is determined for each element.

Type of Compensation	Form	Performance Period	Purpose and How it is Determined
Base Salary (fixed)	Cash	One year	<ul style="list-style-type: none"> <li>Compensates an executive for fulfilling the responsibilities of the role and is used to attract and retain executive talent.</li> <li>Benchmarked relative to the median of the companies selected in the comparator group and adjusted to reflect the individual's experience, responsibilities and performance.</li> </ul>
Short-Term Incentive (variable)	Cash	One year	<ul style="list-style-type: none"> <li>Motivates achievement of specific annual objectives.</li> <li>The actual award is based on Company and individual performance against pre-established targets and goals. See <i>"Executive Compensation – Compensation Decisions – Short-Term Incentives"</i> for further information regarding the determination of this variable incentive compensation.</li> </ul>
Long-Term Incentive (variable)	Options	Typically vest over three years with a ten year term	<ul style="list-style-type: none"> <li>Encourages executives to generate sustainable increases to the Company's Common Share price over the vesting period and term of the Option.</li> <li>Previous grants of Options, current holdings of Options and performance are taken into account when new grants are awarded. The final realized value is based on the appreciation of the Common Share price. All Options awarded to date have been granted with tandem share appreciation rights ("SARs"). See <i>"Executive Compensation – Compensation Decisions – Long-Term Incentives – Options"</i> and <i>"Executive Compensation – Equity Compensation Plans – Stock Option Plan"</i> below for further information regarding the process of setting of Option grant terms.</li> </ul>
Long-Term Incentive (variable)	RSUs	Typically three-year term with various vesting schedules	<ul style="list-style-type: none"> <li>Encourages executives to remain with the Company for the vesting period and aligns to the creation of Shareholder value.</li> <li>Previous grants of RSUs, current holdings of RSUs, performance and retention considerations are taken into account when new grants are awarded. The final realized value is based on the performance of the Common Share price. When the RSUs vest, the Board has the discretion to provide recipients with the option of receiving payment in Common Shares or cash. See <i>"Executive Compensation – Compensation Decisions – Long-Term Incentives – Restricted Share Units"</i> and <i>"Executive Compensation – Equity Compensation Plans – Share Incentive Plan"</i> below for further information regarding the process of setting of RSU grant terms.</li> </ul>
Long-Term Incentive (variable)	PSUs	Three-year term with vesting dependent on successful achievement of performance goals at the end of the term	<ul style="list-style-type: none"> <li>Motivates achievement of long-term Company objectives and aligns to the creation of Shareholder value.</li> <li>Previous grants of PSUs, current holdings of PSUs and performance are taken into account when new grants are awarded. The final realized value is based on Company performance against pre-established targets and goals and the performance of the Common Share price measured at the end of the three-year term. When the PSUs vest, the Board has the discretion to provide recipients with the option of receiving payment in Common Shares or cash. PSUs are subject to clawback under certain conditions. See <i>"Executive Compensation – Compensation Decisions – Long-Term Incentives – Performance Share Units"</i> and <i>"Executive Compensation – Equity Compensation Plans – Share Incentive Plan"</i> below for further information regarding the process of setting of PSU grant terms.</li> </ul>

In addition to the above compensation elements, the Company provides the following benefit programs:

Type of Benefit	Description	How it is Determined
Broad-Based Benefits <sup>(1)</sup>	Life, accidental death and dismemberment, medical, dental, disability insurance while the NEO is actively employed.  In addition, for NEOs hired prior to September 26, 2005, there is a retiree benefits plan which includes life, medical and dental insurance.	Consideration is given to market competitiveness, market trends, cost of total compensation elements, retention of employees and other guiding principles that the Company may employ.
Retirement Plans	Defined contribution plan <sup>(1)</sup> and supplementary executive retirement plan.	
Share Savings Plan <sup>(1)</sup>	Company match on portion of employee contributions for purchase of Common Shares.	
Perquisites	Company car or car allowance.	
Executive Allowance	Cash reimbursement for the cost of select services. NEOs may use this allowance to pay for the cost of services such as a comprehensive medical examination, financial planning and additional life insurance. This benefit is grossed up for taxes and delivered net.	

Note:

(1) The same broad-based benefits, defined contribution plan and share savings plan are available to all employees of the Company and its subsidiaries.

#### ***Target and Actual Mix of Pay for NEOs for Fiscal 2012***

In accordance with the Company's compensation objectives, a significant portion of compensation is performance-based. The short-term incentive bonuses are dependent first on the Company's performance, and second on the executive's performance in his or her role. Long-term incentive grants may consist of any combination of Options, RSUs and PSUs. Much of the value of the long-term incentive grants is contingent on future Company performance. The chart below shows the approximate target and actual compensation mix for the CEO and other NEOs for Fiscal 2012. The target mix varies according to the executive's ability to influence short- and long-term business results and market practices for comparable positions.

Name and Principal Position	Target Compensation (%)				Actual Compensation (%)			
	Base Salary	Annual Short-Term Incentive	Annual Long-Term Incentive	Total at Risk Pay	Base Salary	Annual Short-Term Incentive	Annual Long-Term Incentive	Total at Risk Pay
Brian Hurley, CEO	32	28	40	68	34	28	38	66
Philip Mayers, CFO	44	23	33	56	43	22	35	57
Stuart Levings, COO	44	23	33	56	46	22	32	54
Deborah McPherson, SVP, Sales & Marketing	48	24	28	52	49	23	28	51
Winsor Macdonell SVP, GC	56	22	22	44	58	22	20	42
Peter Vukanovich, Former EVP	38	19	43	62	82	18	0	18

### Compensation Decisions

The compensation decisions in Fiscal 2012 reflected the business performance of the Company as well as the individual performance of each NEO in the case of the annual short-term incentives. While the long-term incentive grants are largely determined by competitive long-term incentive targets, the ultimate value of the Fiscal 2012 long-term incentive grants will depend on the performance of the Common Share price and, in the case of the PSUs, the performance of the plan measures.

### Base Salaries

Base salaries provide executives with a base level of income reflecting the executive's role, scope of responsibilities, skills, and relative experience. Using compensation information from the proxy data comparator groups and relevant survey data, base salaries are reviewed on an annual basis. In Fiscal 2012, the Compensation and Nominating Committee, as part of the regular compensation planning cycle, approved a base salary increase for the CEO of 3.4% effective March 5, 2012 to \$586,000, and a second market adjustment of 6.7% effective July 1, 2012 to \$625,000, recognizing the scope of his role and better aligning his total direct compensation to that of the comparator group. The other NEOs received merit increases as indicated in the table below.

In February 2013, the Compensation and Nominating Committee approved salary increases for 2013. As the CEO received a market adjustment in 2012, he did not receive a further increase for 2013.



Name and Principal Position	2011 Base Salary <sup>(1)</sup> (\$)	2012 Base Salary <sup>(1)</sup> (\$)	Change (%)	2013 Base Salary <sup>(1)</sup> (\$)	Change (%)
Brian Hurley, CEO	566,500	625,000	10	625,000	0
Philip Mayers, CFO	289,000	301,000	4	332,000	10
Stuart Levings, COO	270,000	278,000	3	287,000	3
Deborah McPherson, SVP, Sales & Marketing	255,000	263,000	3	270,300	3
Winsor Macdonell, SVP, GC	228,650	247,000	8	255,000	3
Peter Vukanovich, Former EVP	475,000	475,000	0	475,000	0

Note:

(1) Annualized Base Salary for 2011, 2012, and 2013 reflects the merit increases provided as of March 2011, 2012, and 2013, with the exception of the CEO. The CEO's 2012 base salary reflects the annualized base salary in effect July 1, 2012.

### **Short-Term Incentives**

The Variable Incentive Compensation (“VIC”) program is designed to reward employees for their contributions to achieving specific Company and individual employee annual objectives.

At the beginning of each year, the Company establishes financial and operational business objectives at three levels of performance: threshold (minimum performance level for which a payout is awarded); target (performance level consistent with operating plan targets for which a target payout is awarded); and maximum (performance level at which a maximum payout is awarded). Actual business performance relative to the established financial and operational objectives drives the decision on the pool of money allocated to be paid through the VIC program. If target results are achieved, the VIC bonus pool is set at the sum of the target bonuses for all eligible employees. If results are above target, the bonus pool is set higher with a maximum of 150% of the target bonuses, and if results are below target, the bonus pool is set lower. The bonus amounts awarded to individual employees are further determined by individual performance and contribution to the achievement of Company goals. Employees who are high performers and who provide the greatest contribution to the Company receive a higher award.

Actual VIC awards for the CEO and the other NEOs are determined using the following formula:

$$\left( \begin{array}{c} \text{Target VIC} \\ \text{Opportunity} \\ (\%) \end{array} \right) \times \left( \begin{array}{c} \text{Business} \\ \text{Performance} \\ (\%) \end{array} \right) = \left( \begin{array}{c} \text{Adjusted Target} \\ \text{VIC Opportunity} \\ (\$) \end{array} \right) \times \left( \begin{array}{c} \text{Individual NEO} \\ \text{Performance} \\ \text{(Discretionary)} \\ (\%) \end{array} \right) = \left( \begin{array}{c} \text{Actual VIC} \\ \text{Award} \\ (\$) \end{array} \right)$$

**Business Performance.** For Fiscal 2012, business performance was assessed using the established objectives, which included four financial metrics (accounting for 75% of the total weighting) and three operational metrics (accounting for 25% of the total weighting). For the financial metrics, threshold performance levels were set at 75% of target and maximum levels were set at 150% of target.

Based on an assessment of the Company's overall business performance, the CEO recommended to the Compensation and Nominating Committee a VIC funding level of 100% of target (within a range of 0% to 150% of target). After discussing the recommendations with the CEO, the Compensation and Nominating Committee confirmed that the CEO's assessment fairly reflected the Company's performance and approved the overall funding level of 100% of target.

**Individual NEO Performance.** The CEO's VIC award for Fiscal 2012 was recommended by the Compensation and Nominating Committee and was approved by the Board in consideration of the Company's strong overall performance and the CEO's individual accomplishments.

In determining the allocation of VIC awards for the other NEOs for Fiscal 2012, the CEO discussed with the individual performance of each NEO with the Compensation and Nominating Committee and recommended a VIC award level. Awards were based on the VIC bonus pool funding level and the contribution of each NEO to the attainment of the financial and operational objectives of the Company.

The table below sets out some of the individual NEO accomplishments for Fiscal 2012 which were used in determining individual performance levels.

Name and Principal Position	Key Accomplishments for Fiscal 2012
Brian Hurley, CEO	<ul style="list-style-type: none"> <li>• Led the senior management team in developing and implementing the Company's strategic and operating plan, resulting in solid financial and operational results in Fiscal 2012.</li> <li>• Led the Company to exceed net operating income and return of capital goals and delivered solid performance on the return on equity and ordinary dividends goals.</li> <li>• Took proactive steps with investors, regulators and rating agencies to optimize capital requirements, maintain the "AA" rating of Genworth Mortgage Insurance Canada, the Company's insurance subsidiary, and increase the book value per Common Share.</li> </ul>
Philip Mayers, CFO	<ul style="list-style-type: none"> <li>• Led the Company in managing its financial risks and optimizing its capital position resulting in the achievement of net operating income and capital targets.</li> <li>• Took proactive steps with investors, regulators and rating agencies to optimize capital requirements, maintain the "AA" rating of Genworth Mortgage Insurance Canada, the Company's insurance subsidiary, and increase the book value per Common Share.</li> <li>• Co-led the development and execution of a successful portfolio insurance strategy.</li> </ul>
Stuart Levings, COO	<ul style="list-style-type: none"> <li>• Led the execution of strategic priorities to meet business goals and objectives for loss mitigation, underwriting and information technology.</li> <li>• Exceeded loss mitigation savings goals from improved execution of loss mitigation programs.</li> <li>• Led a variety of strategic projects aimed at identifying process improvements within operations and information technology thus enhancing the customer experience and deepening the relationships with key clients.</li> </ul>
Deborah McPherson, SVP, Sales & Marketing	<ul style="list-style-type: none"> <li>• Led the development and implementation of the Company's sales and marketing strategies.</li> <li>• Led the sales team to achieve targeted results in new insurance written and bulk transactions through market segmentation and penetration strategies.</li> <li>• Achieved a top decile customer satisfaction rating from clients.</li> </ul>
Winsor Macdonell, SVP, GC	<ul style="list-style-type: none"> <li>• Led ongoing efforts to further the Government of Canada's understanding of the Company and the mortgage insurance industry on a number of critical business issues such as, covered bond legislation, government guarantee legislation, regulatory requirements and the implementation of the <i>Protection of Residential Mortgage or Hypothecary Insurance Act</i> regulations.</li> <li>• Provided key leadership in the negotiations and structuring of the bulk insurance transactions, the PMI Mortgage Insurance Company Canada acquisition and government guarantee legislation.</li> <li>• Provided leadership and oversight in the evolution of the Company's regulatory, compliance and risk management infrastructure.</li> </ul>
Peter Vukanovich, Former EVP	<ul style="list-style-type: none"> <li>• Mr. Vukanovich ceased performing the role of Executive Vice President, Corporate Development as of April 30, 2012. As of April 19, 2012, the Company and Mr. Vukanovich entered into a new agreement regarding the employment of Mr. Vukanovich. See "<i>Termination and Change of Control Benefits – Termination Benefits</i>".</li> </ul>

**Actual VIC Awards.** For the NEOs, the VIC awards can range from 0% to 150% of the target opportunity, based on the VIC bonus pool funding and the individual performance of each NEO. For Fiscal 2012, the VIC awards for the NEOs were as follows:

Name and Principal Position	Target VIC Opportunity (% of Salary)	Business Performance Funding (%)	Adjusted Target VIC Opportunity (% of Salary at 100% Funding)	Individual NEO Performance <sup>(1)</sup> (Discretionary)	Actual VIC	
					Percentage of Salary (%)	Value (\$)
Brian Hurley, CEO	85	100	85	100	85	531,300
Philip Mayers, CFO	50	100	50	108	53	162,500
Stuart Levings, COO	50	100	50	100	50	139,000
Deborah McPherson, SVP, Sales & Marketing	50	100	50	97	49	127,700
Winsor Macdonell, SVP, GC	40 <sup>(2)</sup>	100	40	100	40	98,800
Peter Vukanovich, Former EVP	50	100	50	80	22	110,833

Notes:

- (1) Recommended by the CEO and approved by the Compensation and Nominating Committee with consideration of the VIC bonus pool funding and the contribution of each NEO to the attainment of the financial and operational objectives of the Company.
- (2) For 2013, Mr. Macdonell's target VIC opportunity was increased to 50% of salary to improve alignment with the competitive market and for internal equity.

### **Long-Term Incentives**

The long-term incentive ("LTI") program is designed to align NEO, the Company and Shareholder interests and to ensure executives have a long-term financial and operational view to their planning, goals and decisions. The long-term incentives are also meant to reinforce the Company's pay-for-performance objectives and provide competitive levels of total compensation while retaining key employees. The LTI program consists of Options, RSUs and PSUs. In Fiscal 2012, NEO equity awards were generally comprised of 50% Options, 25% RSUs and 25% PSUs, as follows:

Name and Principal Position	LTI Target (as a % of Base Salary)	Number Options Granted	Number RSUs Granted	Number PSUs Granted
Brian Hurley, CEO	125	64,400	19,500	8,000
Philip Mayers, CFO	75	20,000	4,000	2,400
Stuart Levings, COO	75	19,000	2,200	2,200
Deborah McPherson, SVP, Sales & Marketing	60	14,000	1,700	1,700
Winsor Macdonell, SVP, GC <sup>(1)</sup>	40	8,000	1,000	1,000
Peter Vukanovich, Former EVP	115	-	-	-
<b>Total</b>		125,400	28,400	15,300

Note:

- (1) For 2013, Mr. Macdonell's target LTI opportunity was increased to 60% of salary to improve alignment with the competitive market and for internal equity.

### Options

The Company's 2009 Stock Option Plan (the "**Stock Option Plan**") is intended to focus participants on the long-term performance of the Company. On the date of grant, the value of each Option is based on the estimated future value of one Common Share. This value is used to determine the number of Options to be granted to deliver a desired target compensation value. The actual value received from each Option is contingent on the appreciation of the Common Share price over time.

For Fiscal 2012, one-third of the Options granted will vest and become exercisable on the first, second and third anniversaries of the grant, respectively. Each Option has a ten year term to maturity. All Options to date have been granted with tandem SARs. See "*Executive Compensation – Equity Compensation Plans – Stock Option Plan*" for further details on the Stock Option Plan.

### Restricted Share Units

As part of the Company's Share Incentive Plan (the "**Share Incentive Plan**"), RSUs are granted to further align the compensation outcomes for senior executives with the mid-term performance of the Common Share price, and to ensure retention of key individuals. On the date of grant, the value of a RSU is based on the fair market value of the Common Share price. This value is used to determine the number of RSUs to be granted to deliver a desired target compensation value. The actual value of a RSU on the settlement date is contingent on the fair market value of the Common Share price.

For Fiscal 2012, one-third of the RSUs granted will vest and settle on the first, second and third anniversaries of the grant, respectively. Once RSUs have vested, the Board has discretion to settle RSUs in cash, newly-issued Common Shares or Common Shares purchased on the market. For further details on RSUs, see "*Executive Compensation – Equity Compensation Plans – Share Incentive Plan*".

### Performance Share Units

As part of the Share Incentive Plan, PSUs are granted to align a NEO's award with the long-term interests of Shareholders, the achievement of mid-term Company objectives and the Common Share price performance. On the date of grant, the value of a PSU is based on the fair market value of the Common Share price. This value is used to determine the number of PSUs to be granted to deliver a desired target compensation value. The actual value of a PSU on the settlement date is contingent on the fair market value of the Common Share price and the actual performance of the Company over a three-year period, relative to established objectives. Based on performance, the number of PSUs granted may vary from zero to one and one-half times the initial grant.

For Fiscal 2012, a total of 15,300 PSUs were awarded to NEOs. All PSUs granted will cliff vest (100%) at the end of the three-year performance period. Once the PSUs have vested, the Board has the discretion to settle PSUs in cash, newly-issued Common Shares or Common Shares purchased on the market. The performance measures established for the 2012 to 2014 performance period include: average annual earnings growth (30% weight), return on equity (30% weight), contribution margin measured by underwriting income (25% weight) and investment income (15% weight). Each performance metric has an established threshold, target and maximum level of performance to determine actual payouts in 2015. For further details on PSUs, see "*Executive Compensation – Equity Compensation Plans – Share Incentive Plan*".

### Payment of the 2010 PSU Grant

In accordance with the Company's Share Incentive Plan, the grant of PSUs to NEOs in 2010 vested on December 31, 2012. Actual performance achieved relative to established objectives for the three-year performance period resulted in funding at 134% of target with a range of zero to one and a half times the initial grant. The table below reflects actual performance to goal.

Performance Measure	Weighting (% of Total)	Type of Measure	2010-2012 Performance Range			Actual 2012 Results	Weighting (% of Total)
			Threshold	Target	Maximum		
Average annual earnings growth	25	Average performance	1.5%	2%	2.2%	6.5%	37
Return on equity	25	Average performance	9.83%	13.1%	14.41%	13.6%	30
Underwriting income	25	Cumulative performance	\$621 million	\$828 million	\$910.8 million	\$884 million	34
Investment income	25	Cumulative performance	\$411 million	\$548 million	\$602.8 million	\$583 million	33
							134

Incorporating the impact of dividend equivalents received over the three-year performance period, the PSU funding at 134% of target and the fair market value of the Common Share price on the date of settlement, the actual payout value of the 2010 PSU grants to NEOs were as follows:

Name and Principal Position	PSUs Granted in 2010		Value as of December 31, 2012		
	Number Granted	Value <sup>(1)</sup> (\$)	Number of Accumulated PSUs <sup>(2)</sup>	Number of Accumulated PSUs times 134%	Payout Value <sup>(3)</sup> (\$)
Brian Hurley, CEO	6,400	173,568	7,472.82	10,014	249,738
Philip Mayers, CFO	1,900	51,528	2,218.49	2,973	74,141
Stuart Levings, COO	1,600	43,392	1,868.20	2,503	62,435
Deborah McPherson, SVP, Sales & Marketing	1,400	37,968	1,634.68	2,190	54,630
Winsor Macdonell, SVP, GC	800	21,696	934.10	1,252	31,217
Peter Vukanovich, Former EVP	5,100	138,312	-	-	-

Notes:

- (1) Based on the fair market value of the Common Share price on the date of grant which, on February 18, 2010, was \$27.12.
- (2) Includes additional PSUs granted to reflect dividends (dividend equivalents) received over the three-year performance period.
- (3) Based on the five-day average price of the Common Share price on the date one day prior to settlement which, on February 19, 2013, was \$24.94.

### Performance Graph

The following graph shows the changes in the cumulative total Shareholder return for \$100 invested in the Common Shares on July 7, 2009, when the Company completed its initial public offering (“IPO”) to the last trading day of Fiscal 2012 and is compared against the cumulative total shareholder returns of the S&P/TSX Composite Index, assuming the reinvestment of all dividends. The performance as set out in the graph does not necessarily indicate future price performance.

Having now completed three fiscal years, 2010, 2011 and 2012, a year-over-year trending is now possible for such years.



	Jul 2009 (\$)	Sep 2009 (\$)	Dec 2009 (\$)	Mar 2010 (\$)	Jun 2010 (\$)	Sep 2010 (\$)	Dec 2010 (\$)	Mar 2011 (\$)	Jun 2011 (\$)	Sep 2011 (\$)	Dec 2011 (\$)	Mar 2012 (\$)	Jun 2012 (\$)	Sep 2012 (\$)	Dec 2012 (\$)
The Company	100	124	139	141	119	132	142	135	131	104	105	111	95	100	106
S&P/TSX Composite Index	100	106	109	112	105	115	125	131	123	108	111	117	107	111	113

Over the one year period from December 31, 2011 to December 31, 2012, total Shareholder returns increased by 1%. Total NEO compensation (being the aggregate of annual base salary, incentive payouts and the grant date fair value of equity awards) for that same period increased by 3%. Given that a large portion of the Company's incentive program is equity based and thus geared toward the Common Share price, there is a direct correlation between NEO compensation and the Common Share price performance.

Over the three-year period from December 31, 2009 to December 31, 2012, total Shareholder returns declined by 24% as concerns about the housing market, general economic conditions and other factors weighed on the Common Share price.

## Summary Compensation Table

The following table sets out information concerning the compensation earned for Fiscal 2012, 2011 and 2010 by the Company's NEOs.

Name and Principal Position	Fiscal Year	Salary (\$)	Share-Based Award <sup>(1)</sup> (\$)	Option-Based Award <sup>(2)</sup> (\$)	Non-Equity Incentive Plan Compensation (\$) <sup>(3)</sup>		Pension Value <sup>(4)</sup> (\$)	All Other Compensation <sup>(5)</sup> (\$)	Total (\$)
					Annual Incentive	Long-Term Incentive			
Brian Hurley, CEO	2012	625,038	556,915	354,200	531,300	N/A	140,999	95,223	2,303,675
	2011	563,562	343,040	342,100	465,000	N/A	234,847	60,732	2,009,281
	2010	547,288	347,136	333,000	589,000	N/A	249,375	50,166	2,115,965
Philip Mayers, CFO	2012	310,269	144,704	110,000	162,500	N/A	87,714	42,068	857,255
	2011	287,397	107,200	104,500	156,870	N/A	153,281	42,174	851,422
	2010	278,192	103,056	101,010	180,000	N/A	123,454	33,619	819,331
Stuart Levings, COO	2012	287,154	99,484	104,500	139,000	N/A	70,429	37,058	737,625
	2011	254,786	85,760	86,900	130,410	N/A	110,574	35,428	703,858
	2010	232,373	86,784	84,360	154,000	N/A	66,767	32,052	656,336
Deborah McPherson, SVP, Sales & Marketing	2012	271,831	76,874	77,000	127,700	N/A	72,403	19,980	645,788
	2011	253,753	75,040	77,000	123,165	N/A	135,973	19,169	684,100
	2010	246,533	75,936	71,595	150,000	N/A	103,954	28,813	676,831
Winsor Macdonell, SVP, GC	2012	254,788	45,220	44,000	98,800	N/A	73,922	50,273	567,003
	2011	227,265	42,880	44,550	88,359	N/A	53,946	44,900	501,900
	2010	220,210	43,392	39,960	113,800	N/A	43,125	38,541	499,028
Peter Vukanovich, Former EVP	2012	493,269	0	0	110,833	N/A	248,162	55,318	907,582
	2011	475,000	273,360	273,350	174,800	N/A	408,792	77,281	1,682,583
	2010	472,288	276,624	264,735	447,000	N/A	348,579	59,057	1,868,283

Notes:

- (1) The value of share-based awards (RSUs and PSUs) is based on the market price of the Common Shares on the Toronto Stock Exchange (the "TSX") on the dates of the grant and is as follows: on February 18, 2010 – \$27.12; on February 17, 2011 – \$26.80; on February 1, 2012 – \$22.61. Mr. Hurley received an additional 11,500 RSUs on August 1, 2012 and the price of the Common Shares on the TSX on that date was \$16.97.
- (2) For the purpose of determining the number of Options to be awarded, the Option value is derived using a combination of: (a) the Option values used in the past; (b) the current Common Share Price; and (c) expectations for the future performance of the Common Share price over the term of the Option. For 2010, the Option value for compensation purposes was \$5.55 and the exercise price was \$27.12. For 2011, the Option value for compensation purposes was \$5.50 and the exercise price was \$26.80. For 2012, the Option value for compensation purposes was \$5.50 and the exercise price was \$22.61. The table below shows the Option fair value for the NEOs for each of Fiscal 2012, 2011 and 2010.

Year	Compensation Value	
	Fair Value Per Option (\$)	Aggregate Cost (\$)
2012	5.50	689,700
2011	5.50	928,400
2010	5.55	894,660

- (3) For a complete outline of short-term incentive payments to NEOs in Fiscal 2012, see "Executive Compensation – Incentive Plan Awards – Value Vested or Earned During Fiscal 2012" below.
- (4) This value consists of compensatory items for the Company's Pension Plan and SERP (as defined herein).
- (5) This value includes perquisites and executive allowance paid to the NEOs in Fiscal 2012, each as more fully described above in "Executive Compensation – Compensation Discussion and Analysis – Overview of Compensation Elements".

## Incentive Plan Awards

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

The following table sets forth specific information regarding Option, RSU and PSU grants outstanding for the NEOs as of December 31, 2012. Mr. Vukanovich is not included in the table below as, effective September 28, 2012, he had no outstanding share-based or option-based awards remaining.

Name and Principal Position	Year	Option-Based Awards				Share-Based Awards		Market or Payout of Vested Share-based Awards not paid out or Distributed <sup>(3)</sup> (\$)
		Number of Securities Underlying Unexercised Options	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised in the Money Options (\$) <sup>(1)</sup>	Number of RSUs/PSUs that have not Vested	Market or Payout Value of Share-Based Awards that have not Vested (\$) <sup>(2)</sup>	
Brian Hurley, CEO	2012	64,400	22.61	Feb 1, 2022	-	28,816	650,943	0
	2011	62,200	26.80	Feb 17, 2021	-	12,035	271,865	0
	2010	60,000	27.12	Feb 18, 2020	-	9,998	225,845	0
	2009	250,000	19.00	Jul 7, 2019	897,500	0	0	0
Philip Mayers, CFO	2012	20,000	22.61	Feb 1, 2022	-	6,786	153,299	0
	2011	19,000	26.80	Feb 17, 2021	-	3,761	84,972	0
	2010	18,200	27.12	Feb 18, 2020	-	2,969	67,060	0
	2009	65,000	19.00	Jul 7, 2019	233,350	0	0	0
Stuart Levings, COO	2012	19,000	22.61	Feb 1, 2022	-	4,665	105,393	0
	2011	15,800	26.80	Feb 17, 2021	-	3,009	67,973	0
	2010	15,200	27.12	Feb 18, 2020	-	2,500	56,474	0
	2009	50,000	19.00	Jul 7, 2019	179,500	0	0	0
Deborah McPherson, SVP, Sales & Marketing	2012	14,000	22.61	Feb 1, 2022	-	3,605	81,440	0
	2011	14,000	26.80	Feb 17, 2021	-	2,633	59,485	0
	2010	12,900	27.12	Feb 18, 2020	-	2,187	49,409	0
	2009	45,000	19.00	Jul 7, 2019	161,550	0	0	0
Winsor Macdonell, SVP, GC	2012	8,000	22.61	Feb 1, 2022	-	2,121	47,906	0
	2011	8,100	26.80	Feb 17, 2021	-	1,505	33,999	0
	2010	7,200	27.12	Feb 18, 2020	-	1,250	28,237	0
	2009	40,000	19.00	Jul 7, 2019	143,600	0	0	0

#### Notes:

- (1) Value of the unexercised “in the money” Options is the difference between the fair market value of the Common Shares on the TSX as of the close of trading on December 31, 2012, which was \$22.59, and the exercise price.
- (2) The value of the outstanding RSUs and PSUs is based on the Common Share price on the TSX as of the close of trading on December 31, 2012, which was \$22.59 and includes RSUs and PSUs issued as dividend equivalents.
- (3) Vested share-based awards are all immediately paid out or distributed upon vesting.



## Value Vested or Earned During Fiscal 2012

Name and Principal Position	Option-Based Awards – Value Vested During the Year <sup>(1)</sup> (\$)	Share-Based Awards – Value Vested During the Year (\$)	Non-Equity Incentive Plan Compensation Value Earned During the Year <sup>(2)</sup> (\$)
Brian Hurley, CEO	0	206,328	N/A
Philip Mayers, CFO	0	83,633	N/A
Stuart Levings, COO	0	78,198	N/A
Deborah McPherson, SVP, Sales & Marketing	0	53,784	N/A
Winsor Macdonell, SVP, GC	0	39,099	N/A
Peter Vukanovich, Former EVP	0	186,065	N/A

### Notes:

- (1) This value is based on the market price of the awards at the time of vesting. The Options that vested in Fiscal 2012 all had exercise prices that exceeded the market price.
- (2) See “Executive Compensation – Incentive Plan Awards” for a description of the significant terms of all plan-based awards, as well as “Executive Compensation – Compensation Discussion and Analysis – Compensation Decisions – Short-Term Incentives” and “Executive Compensation – Compensation Discussion and Analysis – Compensation Decisions – Long-Term Incentives” for a description of non-equity and equity compensation evaluation process.

## Pension Plan Benefits

The Company’s retirement programs are benchmarked to the industry and provide competitive post-employment financial security and are a key element of the total compensation package. The NEOs participate in two retirement plans:

- the Pension Plan for the Employees of Genworth Mortgage Insurance Canada (the “**Pension Plan**”), a registered defined contribution pension plan to which contributions are made based on pensionable earnings up to the annual limits allowed by the Canada Revenue Agency; and
- the Supplemental Retirement Plan of Genworth Financial Canada (the “**SERP**”), a defined benefit supplemental executive retirement plan.

## Pension Plan

The NEOs, along with other employees of the Company, participate in the Pension Plan. The Company contributes 6% of earnings below the Year’s Maximum Pensionable Earnings (“**YMPE**”), as determined by Canada Revenue Agency, and 8% of earnings over the YMPE for each plan participant. In certain legacy situations, the Company will pay an additional contribution, the level of which depends on the NEO’s age plus service as at September 26, 2005, starting at 2% of earnings for age plus service less than 25 years, escalating to the maximum of 7% of earnings for age plus service of 49 or more years. Messrs. Vukanovich, Mayers, Levings, Macdonell, and Ms. McPherson all qualify for these additional contributions. For the purpose of the Pension Plan, earnings for NEOs is defined as salary plus 50% of the actual short-term incentive VIC award.

Sun Life Financial Inc. is the custodian and record keeper of the Pension Plan. Pension Plan participants have a selection of investment options from which to choose. The rate of return is dependent on the investment choices of the plan participant. Until July 1, 2012, a participant’s benefits vested after two years of plan participation. After July 1, 2012, vesting is immediate in accordance with legislative requirements. If a participant is terminated after vesting, funds are transferred to a registered retirement plan or to another deferred retirement vehicle. The participant may retire between the ages of 55 and 71, in which case the contributions are used to purchase an annuity (normal form, and with a 60% survivor benefit). In the event of death of an active employee, all contributions are paid to the spouse or estate based, pursuant to the Pension Plan.

The following table provides the accumulated balances at the start and end of Fiscal 2012 under the Pension Plan for the NEOs.

<b>Name and Principal Position</b>	<b>Accumulated Value at Start of Year<sup>(1)</sup> (\$)</b>	<b>Compensatory (\$)</b>	<b>Accumulated Value at End of Year (\$)</b>
Brian Hurley, CEO	69,707	18,399	100,383
Philip Mayers, CFO	134,609	19,814	174,796
Stuart Levings, COO	138,376	19,229	178,189
Deborah McPherson, SVP, Sales & Marketing	135,944	19,703	173,536
Winsor Macdonell, SVP, GC	126,595	19,422	167,943
Peter Vukanovich, Former EVP	128,580	20,362	166,733

Note:

- (1) The “Accumulated Value at Start of Year” column and the “Accumulated Value at End of Year” column both include compensatory amounts paid by the Company and non-compensatory amounts, including amounts contributed by the NEO. The columns are not cumulative as, in accordance with applicable securities legislation, this table does not disclose the non-compensatory contributions of the NEO or other non-compensatory amounts such as changes in market value.

### ***Supplemental Executive Retirement Plan***

The pension the NEO will receive from the SERP is calculated as:

- the target benefit calculated using the formulas set out in the table below, offset by;
- the pension derived from the NEO’s notional account which represents what the NEO’s account balance would be under the Pension Plan if contributions made to the Pension Plan had been invested in the balanced fund investment option, and further offset by;
- The pension payable to the NEO under other related pension plan(s) in which the NEO participated prior to September 26, 2005.

The Company delivers the difference, if greater than \$0, via a monthly annuity or a lump sum payment, at the Company’s discretion.

The NEO has a choice of either accruing contributory or non-contributory service under the SERP. The contributory formula has the opportunity to provide a higher target benefit to the executive participant at retirement than the non-contributory formula. If the participant selects the contributory formula, then he or she must provide a contribution of 3% of compensation to the Pension Plan.

The target benefit under the SERP is calculated in accordance with the charts below:

#### Non-Contributory Credited Service

1% of Final Average Earnings for earnings up to the average YMPE; plus	X	Non-Contributory Credited Service	=	Defined Benefit Target Pension
1.5% of Final Average Earnings for earnings excess of the average YMPE.				

#### Contributory Credited Service

1.5% of Final Average Earnings for earnings up to the average YMPE; plus	X	Contributory Credited Service	=	Defined Benefit Target Pension
2% of Final Average Earnings for earnings excess of the average YMPE.				

“Final Average Earnings” are calculated as one-third of the highest 36 months earnings in the last 60 months prior to retirement, where earnings are defined as base salary plus 50% of variable compensation (short-term incentive).

The participant may retire early, at any point after becoming 55 years of age, and receive a reduced SERP entitlement. The target benefit as calculated at the date of early retirement is reduced by 0.25% for each month prior to the participant’s 60<sup>th</sup> birthday.

As of July 1, 2012, as proposed by the Pension Committee of management of the Company and approved September 2012, the participant is vested in the SERP immediately upon enrollment in the Pension Plan. A participant whose employment terminates after vesting but before age 55 will receive their SERP pension commencing at age 65. A terminated participant may elect to receive a reduced SERP benefit commencing on the first day of any month following the attainment of age 55. If such terminated participant elects to commence receiving their SERP pension between the ages of 60 and 65, their SERP pension will be reduced by 0.6% for each month prior to their 65<sup>th</sup> birthday, and if such terminated participant elects to commence receiving their SERP pension prior to age 60, their SERP pension will be more aggressively reduced in accordance with the terms of the SERP.

A participant who chooses to retire on or after his normal retirement date will receive a supplemental benefit based on the participant’s credited service, Final Average Earnings and average YMPE at his date of cessation of continuous service.

The following table provides estimates of the benefits payable under the SERP to the NEOs as of December 31, 2012. All information is based on the assumptions and methods used for purposes of reporting financial statements as found in the Company’s annual financial statements, which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

Name and Principal Position	Number of Years of Credited Service	Annual Benefits Payable (\$)		Opening Present Value of Defined Benefit Obligation <sup>(2)</sup> (\$)	Compensatory change (\$)	Non-Compensatory change (\$)	Closing Present Value of Defined Benefit Obligation <sup>(2)</sup> (\$)
		At Year-End	At Age 65 <sup>(1)</sup>				
Brian Hurley, CEO	7.25 <sup>(3)</sup>	86,381	248,997	849,300	122,600	421,400	1,393,300
Philip Mayers, CFO	17.92	62,873	139,034	752,700	67,900	455,400	1,276,000
Stuart Levings, COO	12.42	33,926	103,932	375,800	51,200	339,300	766,300
Deborah McPherson, SVP, Sales & Marketing	17.92	64,476	122,484	733,400	52,700	356,000	1,142,100
Winsor Macdonell, SVP, GC	13.83	33,931	80,953	348,700	54,500	307,100	710,300
Peter Vukanovich, Former EVP	28.42	194,928	194,928	2,581,300	227,800	324,500	3,133,600

Notes:

- (1) For greater clarity, at retirement NEOs will receive the benefits as described in this table as well as the benefits described in the Pension Plan table above. Additionally, the SERP "Annual Benefits Payable" column takes into consideration the offsets as described in the SERP documentation including: the annuitized value of the notional account; as well as entitlement to a legacy pension and any minor legacy adjustments from predecessor companies, if applicable, but is not inclusive of any of those benefits.
- (2) The valuation method and all significant assumptions the Company applied in quantifying the accrued obligation and the end of Fiscal 2012 can be found in the Company's financial statements for the year ended December 31, 2012, which are available on SEDAR at [www.sedar.com](http://www.sedar.com).
- (3) The years of credited service attributed to Mr. Hurley are based on service provided by Mr. Hurley to Genworth Financial which were ported to the SERP as part of his employment agreement in 2009.

## Termination and Change of Control Benefits

### *Termination Benefits*

The Company has standard policies in place to cover various forms of termination (other than as described below for Mr. Vukanovich). The NEOs are subject to the same terms and conditions as all other employees of the Company for resignation and termination for cause. In such situations, the NEO would not be eligible for short-term incentives, unvested Options would expire and unvested RSUs and PSUs would be forfeited. In the case of a termination that is not for cause, and other than in the case of a change of control (discussed below), unvested RSUs, PSUs and Options expire; in addition, the NEO would receive his or her statutory and common law entitlements, subject to any negotiated settlements that may take place between the Company and the NEO at the time of termination.

In the event of retirement, the NEO or any other employee will be eligible for accrued, vested retirement benefits. The unvested Options, RSUs and PSUs will continue to vest in accordance with the terms of the applicable equity plans following retirement. No incremental benefit will be received.

As of April 19, 2012, the Company and Mr. Vukanovich entered into an agreement regarding the employment of Mr. Vukanovich. Pursuant to the terms of the agreement, Mr. Vukanovich ceased performing the role of Executive Vice President, Corporate Development as of April 30, 2012. The agreement provides for Mr. Vukanovich's continued employment with the Company through to his scheduled retirement on July 31, 2014.

### *Change of Control and Qualified Termination Benefits*

In December 2009, the Compensation and Nominating Committee approved a change of control plan (the "**Change of Control Plan**") for the CEO, CFO, COO, SVP, Sales & Marketing and SVP, GC. The Compensation and Nominating Committee believed the best time to consider the appropriateness of change of control provisions is when a change of control is not imminent and before the lack of such a plan poses a risk to corporate policy effectiveness. As a result, the Compensation and Nominating Committee evaluated the considerations, implications and economics of a change of control plan and adopted one that balances the cost to the Company and its Shareholders relative to potential damage from distraction or loss of key executives. Therefore, the purpose of the Change of Control Plan is intended to keep participants neutral to the possibility of corporate transactions, thereby

reducing the risk that a participant's actions would not be in the best interests of the Company and its Shareholders. The Change of Control Plan calls for severance benefits in the event of a change of control and a qualified termination.

For the purposes of the Change of Control Plan, a change of control of the Company is deemed to occur in the following situations:

- the acquisition of 35% or more of the outstanding Common Shares (other than by Genworth Financial) by one party or two or more parties acting in concert;
- the sale of 50% or more of the Company's outstanding Common Shares by Genworth Financial;
- a majority change in the Board, other than through normal Board succession, without the incumbent Board's approval;
- a merger, consolidation, reorganization or sale of substantially all of the assets of the Company, unless such transaction does not change the beneficial ownership of the Company and a majority of the incumbent Board members remain on the Board; and
- liquidation of the Company with Shareholder approval.

For the purposes of the Change of Control Plan, a qualified termination is defined as the termination of a participant without cause or a participant initiated termination for "Good Reason" within 24 months of the change of control. Good Reason is defined as:

- a relocation of the head office greater than 160 kilometres from its current location;
- a material reduction in base salary, target bonus and benefits, unless such reductions are in concert with general employee compensation reduction and are less than 15%; or
- a significant diminution of duties or responsibilities, excluding a change in title or reporting relationship.

The benefits that a participant will receive in case of a change of control and a qualified termination are contained in the chart below.

<b>Benefit Type</b>	<b>Benefit Amount</b>
Severance	Two times (base salary and target bonus)
Loss of Employee Benefits	Lump sum payment to compensate the participant for loss of employee benefits (calculation is two times (15% of base salary))
Annual Bonus	Pro-rata of target. <sup>(1)</sup>
Equity	Vesting of all unvested equity, which can be exercised until the normal expiration date. Where performance criteria is a condition of vesting then payouts are calculated based on target performance.
SERP Provisions (where SERP Plan is terminated)	All pension benefits under the SERP immediately vest and benefits are calculated in accordance with the SERP provisions, however where participants are terminated prior to age 55, the pre-age 55 reductions to the SERP are waived and the participant would receive a reduced benefit on attaining age 55.

Note:

(1) Based on time worked during the bonus plan year.

The following table illustrates the incremental benefit associated with a qualified termination for the NEOs that participate in the Change of Control Plan, following a change of control, assuming the qualified termination took place as of December 31, 2012. Mr. Vukanovich ceased to participate in the Change of Control Plan upon entering into a new employment agreement effective March 1, 2011, which addressed his entitlements in the event of a termination.

Name and Principal Position	Severance <sup>(1)</sup> (\$)	Loss of Benefits (\$)	Stock Options (\$)	Share-Based Awards (\$)	SERP (\$)	Total (\$)
Brian Hurley, CEO	2,312,500	187,500	897,500	1,148,653	1,393,300	5,939,453
Philip Mayers, CFO	903,000	90,300	233,350	305,331	1,276,000	2,807,981
Stuart Levings, COO	834,000	83,400	179,500	229,840	766,300	2,093,040
Deborah McPherson, SVP, Sales & Marketing	789,900	78,990	161,550	190,334	1,142,100	2,362,874
Winsor Macdonell, SVP, GC	691,600	74,100	143,600	110,142	710,300	1,729,743

Note:

- (1) A participant entitled to severance under the Change of Control Plan shall not be eligible for benefits under any severance, layoff or termination benefits provided under any other agreement (including an employment agreement), plan, program or arrangement maintained by the Company.

### Equity Compensation Plans

Equity compensation plans attempt to align the interests of executives and other employees of the Company with Shareholder interests beyond the annual business cycle. The design of these long-term incentive plans is to balance medium and longer-term business objectives through the use of various types of awards, including Options, RSUs and PSUs.

### Common Shares Used for Purposes of Equity Compensation

The following table sets forth information regarding Common Shares reserved for purposes of equity compensation as at December 31, 2012.

Plan Category		Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (\$)	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans
Equity compensation plans approved by security-holders	Stock Option Plan (Options)	1,027,130	21.89	972,870
	Share Incentive Plan (RSUs)	96,215 <sup>(1)</sup>	N/A <sup>(2)</sup>	607,030 <sup>(3)</sup>
	Share Incentive Plan (PSUs)	46,756 <sup>(1)</sup>	N/A <sup>(2)</sup>	607,030 <sup>(3)</sup>
	Deferred Share Unit Plan (DSUs)	34,412 <sup>(1)</sup>	N/A <sup>(2)</sup>	215,588
Equity compensation plans not approved by security-holders		N/A	N/A	N/A
<b>Total</b>		1,204,513	N/A	1,795,488

Note:

- (1) RSUs, PSUs and DSUs issued include dividend equivalents earned on such securities.
- (2) The weighted average exercise price is “not applicable” as RSUs, PSUs and DSUs do not have an exercise price. See “ – *Share Incentive Plan*” and “ – *Deferred Share Unit Plan*” below for an explanation of the terms of the RSUs, PSUs and DSUs.
- (3) The aggregate number of Common Shares reserved for issuance under the Share Incentive Plan, for the issuance of both RSUs and PSUs, was 607,030 as of December 31, 2012.

The aggregate number of Common Shares reserved for issuance in respect of the exercise of Options and for all other compensation plans, shall not exceed 3,000,000. Common Shares reserved in respect of Options which are not fully exercised as a result of Options having terminated, expired, forfeited, cancelled, or settled in cash by virtue of the share appreciation right, shall be available for subsequent Options and not be counted toward depletion of the reserve.

### Stock Option Plan

The Board adopted the Company’s Stock Option Plan with an effective date of July 7, 2009. Under the Stock Option Plan, the Board may grant Options to purchase Common Shares alone or in tandem with SARs to any officer (including the NEOs) or employee of the Company.

The purposes of the Stock Option Plan are:

- (a) to promote the interests of the Company and its Shareholders by strengthening the ability of the Company to attract, motivate, reward, and retain qualified individuals upon whose judgment, initiative, and efforts the financial success and growth of the business of the Company largely depend;
- (b) to provide an opportunity for such individuals to acquire Common Share ownership and other rights that promote and recognize the financial success and growth of the Company and link their interests and efforts to the long-term interests of the Company's Shareholders;
- (c) to focus such individuals on Common Share price appreciation in alignment with the long-term focus of the Company; and
- (d) to provide an opportunity for such individuals to earn a competitive level of total compensation.

The exercise price of any Option to be granted under the Stock Option Plan is determined by the Board, but shall not be less than the closing price expressed in Canadian dollars of the Common Shares on the TSX on the date of grant of such Option. There are currently 2,000,000 Common Shares (approximately 2.0% of the outstanding Common Shares on a non-diluted basis) reserved for issuance under the Stock Option Plan, of which 906,420 (or approximately 0.9% of the outstanding Common Shares on a non-diluted basis) remain available for issuance as of the date hereof. Of the Options granted and outstanding, 840,384 Options are exercisable.

The maximum number of Common Shares which may be reserved for issuance to insiders of the Company under the Stock Option Plan and all other share-based compensation plans collectively is 10% of the Common Shares outstanding at the time of the grant (on a non-diluted basis). The maximum number of Common Shares which may be issued to insiders of the Company under the Stock Option Plan and all other share-based compensation plans of the Company collectively within a one-year period is 10% of the Common Shares outstanding at the time of the issuance (on a non-diluted basis).

At the time of grant, the Board may fix the term and the vesting conditions of the Option being granted provided that these terms do not exceed ten years from the grant date. The Board may also determine the provisions relating to the expiry of an Option pertaining to termination, disability, retirement and death.

Except as provided below, an Option is non-transferable and non-assignable, other than by will or the laws relating to intestacy. However, where the assignor is not a U.S. Taxpayer (as defined in the Stock Option Plan), an Option may be transferred to any of the following permitted assigns: (i) the spouse of the assignor; (ii) a trustee, custodian or administrator acting on behalf of or for the benefit of the assignor or the assignor's spouse; (iii) a personal holding corporation, partnership (including a family limited partnership), family trust or other entity controlled by the assignor or the assignor's spouse, or the shareholders, partners, or beneficiaries of which are any combination of the assignor, the assignor's spouse, the assignor's children or the assignor's grandchildren; (iv) an individual or other person in that person's capacity as a trustee, executor, administrator or personal or other legal representative controlled by the assignor or the assignor's spouse; or (v) a registered retirement income fund or a registered retirement savings plan (as each such term is defined in the *Income Tax Act* (Canada)) of the assignor or the assignor's spouse. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of an Option contrary to the provisions of the Stock Option Plan, or upon the levy of any attachment or similar process upon an Option, the Company may terminate the Option.

If an Option expires during, or within ten business days after, a trading black-out period imposed by the Company to restrict trades in the Company's securities, then, notwithstanding any other provision of the Stock Option Plan, the Option will expire ten business days after the trading black-out period is lifted by the Company.

Subject to certain discretionary adjustments that may be made by the Board or its designee under the Stock Option Plan, the following types of amendments to the Stock Option Plan require Shareholder approval: (i) any increase in the number of Common Shares in respect of which Options may be granted under the Stock Option Plan; (ii) any amendment granting additional powers to the Board to amend the Stock Option Plan or entitlements without Shareholder approval; (iii) any reduction in the exercise price of Options, or a cancellation and re-issuance within three months of Options held by insiders of the Company; (iv) any amendment that would increase the maximum term of an Option granted under the Stock Option Plan; (v) any extension to the term of Options held by insiders of the Company, except in accordance with the terms of the Stock Option Plan; (vi) any amendment that would alter the limits on the total number of Common Share issuable to insiders of the Company; (vii) any amendment that would expand the scope of those persons eligible to participate in the Stock Option Plan; (viii) any addition of new forms of compensation involving the issuance of Common Shares by the Company; and (ix) any amendment to the assignment provisions of the Stock Option Plan.

Amendments to the Stock Option Plan or Options that are not subject to Shareholder approval may be implemented by the Company without Shareholder approval, but are subject to any approval required by the rules of any stock exchange on which the

Common Shares are listed and other requirements of applicable law. The Board also has the right to suspend, discontinue or amend the Stock Option Plan.

For the Options granted in February 2012, the Board set the following terms and conditions, which are set out in individual stock option award agreements. Options were granted with attached SARs and vest 33% per year on the first, second and third anniversary of the grant. Other terms are as follows:

<b>Reason for Termination</b>	<b>Treatment</b>
Voluntary Termination	Unvested Options are cancelled on the day of termination and vested Options may be exercised up to the date of termination.
Termination with Cause	All vested and unvested Options are cancelled on the day of termination.
Involuntary Termination without Cause	Unvested Options are cancelled on the day of termination and vested Options may be exercised up to 60 days after termination, provided the term of the Option has not expired.
Retirement	If one year from the grant date to the date of retirement has not elapsed within a minimum age of 60, the Options are cancelled. Otherwise Options may be exercised in accordance with the original terms of grant.
Disability	No impact on the terms of grant.
Leave of Absence	If the Option holder does not return to active employment following the legal end of the leave, all Options are cancelled on the day of termination.
Death	All unvested Options vest on the date of death and the estate may exercise the Options for up to 12 months following the death.
Change of Control	The successor company may replace the Common Shares with securities of equal value to the Common Shares that underlie the Options. Following a change of control, and in the case of termination without cause or retirement within 24 months of the change of control, all Options vest and become exercisable.

### ***Share Incentive Plan***

RSUs and PSUs may be granted to employees, officers (including the NEOs) or consultants of the Company under the Company's Share Incentive Plan which has the same purposes as the Stock Option Plan described above. The Share Incentive Plan was adopted by the Board with an effective date of July 7, 2009. The aggregate number of Common Shares reserved for issuance under the Share Incentive Plan, subject to adjustment or increase of such number pursuant to the provisions of the Share Incentive Plan, may not exceed 750,000, or approximately 0.8% of the currently outstanding Common Shares on a non-diluted basis, of which 568,492 (or approximately 0.6% of the outstanding Common Shares on a non-diluted basis) remain available for issuance as of the date hereof.

RSUs are securities with rights equal to the fair market value of a Common Share. RSUs are time vested and upon maturity the holder receives an amount equal to the value of one Common Share for each RSU. The grant agreement that govern the RSUs provides that the Board may grant additional RSUs, equivalent to the dividends issued on the Common Shares that underlie the RSU award, to be credited to the recipient's RSU account.

To further underscore the Company's compensation objectives, in Fiscal 2012, the Company continued to grant PSUs which are contingent on the long-term performance of the Company. PSUs have similar terms and conditions as RSUs, however a performance feature is attached to the award such that poor performance will reduce or negate the award and superior performance will increase the award to a specific maximum. The terms governing PSUs under the Share Incentive Plan are the same as those set out below for RSUs.

The Board has the discretion to fix the term and the vesting conditions of the RSUs provided they mature no later than December 1<sup>st</sup> in the third calendar year following the calendar year in respect of which the RSUs are granted and shall be paid prior to December 31<sup>st</sup> of that year. As well, at the time of grant the Board has the discretion to determine the provisions relating to the expiry of an RSU upon the termination, disability, retirement or death of a recipient. On the maturity date of an RSU, the Board may decide to settle the Common Share delivery obligation through the issuance of new Common Shares from treasury, the purchase of Common Shares on the open market or via the delivery of the cash equivalent of the underlying Common Share.

The maximum number of Common Shares which may be reserved for issuance to insiders of the Company under the Share Incentive Plan and all other share-based compensation plans collectively is 10% of the Common Shares outstanding at the time of the grant (on a non-diluted basis). The maximum number of Common Shares which may be issued to insiders of the Company under the



Share Incentive Plan and all other share-based compensation plans of the Company collectively within a one-year period is 10% of the Common Shares outstanding at the time of the issuance (on a non-diluted basis).

RSUs are not assignable or transferable, other than in the case of death as set out in the Share Incentive Plan or in a grant agreement between the assignor and the Company.

The Board's rights to amend, change or suspend the Share Incentive Plan, as well as the requirements to seek Shareholder approval for amendments to the Share Incentive Plan, are the same as the equivalent provisions in the Stock Option Plan described above.

In Fiscal 2012, the Board elected to grant RSUs with the following terms and conditions which are set out in each individual grant agreement. RSUs vest 33 1/3% per year on the first, second and third anniversary of the grant. Other terms are as follows:

<b>Reason for Termination</b>	<b>Treatment</b>
Voluntary Termination	Unvested RSUs will be forfeited on the day of termination and vested RSUs shall be paid.
Termination with Cause	All vested and unvested RSUs will be forfeited on the day of termination.
Involuntary Termination without Cause	Unvested RSUs will be forfeited on the day of termination and vested RSUs shall be paid.
Retirement	If one year from the grant date to the date of retirement has not elapsed within a minimum age of 60, the RSUs are forfeited. Otherwise RSUs vest and are paid in accordance with the original terms of the agreement.
Disability	No impact on the terms of grant.
Leave of Absence	RSUs that vest during the leave are paid at the Board's discretion on a pro rata basis on return from the leave. If the holder does not return to active employment following the leave, all RSUs are forfeited on the day of termination.
Death	All unvested RSUs vest as of the date of death and at the Board's discretion the estate may receive payment for vested Common Shares up to the full vested amount or on a pro-rated basis.
Change of Control	The successor company may replace the Common Shares with securities of equal value to the Common Shares that underlie the RSUs. Following a change of control, and in the case of termination without cause, or retirement within 24 months of the change of control, all RSUs vest and become payable within 30 days of a qualified termination.

### ***Share Savings Plan***

The Board adopted the Company's share savings plan (the "**Share Savings Plan**") with effect from September 1, 2009. Under the Share Savings Plan, the NEOs and other employees have an opportunity to acquire Common Shares, purchased on the open market, by means of a payroll deduction.

Under the Share Savings Plan, employees may contribute up to a total of 10% of their compensation to the Share Savings Plan through a payroll deduction. "Compensation", for the purposes of the Share Savings Plan, is defined as the sum of an employee's base salary, overtime pay and 50% of each of the following paid amounts: short-term incentive compensation, other sales bonuses and commissions. The Company will match 50% of the first 6% of an employee's contributions under the Share Savings Plan in each pay period. All matching contributions by the Company vest immediately. While there is immediate vesting of the Company's matching contributions, an employee's participation in the Share Savings Plan is temporarily suspended when an employee sells Common Shares held in such plan. If an eligible participant elects to receive the net cash proceeds from the sale of 50% of the Common Shares allocated their account, such participant's eligibility to make any contributions shall be suspended for a period of six months. If an eligible participant elects to receive the net cash proceeds from the sale of 100% of the Common Shares allocated their account, such participant's eligibility to make any contributions shall be suspended for a period of 12 months.

As soon as practicable (and in no event more than 30 calendar days) after each pay date, the employee contributions and matching contributions by the Company relating to such pay date, and any net cash dividends received prior to such pay date, will be used to purchase Common Shares through open market purchases. The daily volume of purchases may be limited to the extent that it is deemed to be in the best interests of the participants. The purchase of Common Shares will be made at prevailing market prices.

All Common Shares, cash and other property allocated to a participant account shall at all times be vested in the participant and shall not be subject to forfeiture. Any right to participate in the Share Savings Plan, and any other right or benefit under the Share Savings Plan, shall not be transferable by a participant except upon death to a beneficiary.

Upon termination of employment of a participant (other than as a result of retirement), such participant or, in the case of the death of the participant, the participant's beneficiary, shall receive a compulsory distribution with respect to all of the Common Shares then allocated to the participant's account: (i) in cash, consisting of the proceeds, net of expenses payable, of a sale of 100% of the total number of Common Shares then allocated to the account; or (ii) Common Shares, consisting of 100% of the total number of whole Common Shares then allocated to the account plus cash in lieu of any remaining fractional share. For the period from the date of cessation of employment until the fifth anniversary of such date, a retired participant shall have the right to receive at any time a distribution of the proceeds of their account.

The Company shall be responsible for the administration of the Share Savings Plan. The Company may, however, at any time and from time to time, delegate to one or more officers and employees of the Company or to a committee of such officers and employees any or all of its Share Savings Plan responsibilities. The Company shall also be permitted to hire administrators, custodians or similar service providers to assist in the administration of the Share Savings Plan.

Subject to all applicable laws and regulatory approvals and requirements, the Company may, at any time, terminate or amend any or all provisions of the Share Savings Plan, in whole or in part; provided, however, that no amendment shall retroactively and materially impair any rights or benefits under the Share Savings Plan which any participant or beneficiary otherwise would have had at the date of such amendment, except with the written consent of such person. The Company may also, at any time, amend, suspend or terminate the Share Savings Plan, in whole or in part, or participation in the Share Savings Plan by any participant for abuse of privileges under the Share Savings Plan.

#### ***Deferred Share Unit Plan***

The purpose of the Company's Directors' Deferred Share Unit Plan (the "**DSU Plan**") is to assist the Company in attracting, retaining and motivating qualified individuals to serve as members of the Board and to promote a greater alignment of interests between eligible directors and the Shareholders of the Company. The DSU Plan was adopted by the Board with effect from July 7, 2009. There are currently 250,000 Common Shares reserved for issuance under the DSU Plan (approximately 0.3% of the currently outstanding Common Shares (on a non-diluted basis) (the "**Share Reserve**")) of which 212,878 (or approximately 0.2% of the currently outstanding Common Shares on a non-diluted basis) remain available for issuance as of the date hereof. DSUs are units that are credited to an eligible director's account, the value of which, on a particular date, shall be equal to the fair market value of a Common Share for such date. The fair market value for a particular date is deemed to be the average closing price of the Common Share on the TSX on the five trading days prior to such date. Under no circumstances shall DSUs be considered Common Shares nor shall they entitle any participant to exercise voting rights or any other rights attaching to the ownership or control of Common Shares, including, without limitation, rights on liquidation, nor shall any participant be considered the owner of any Common Shares to be delivered under the DSU Plan until the date of purchase or issuance of such Common Shares, as elected by the Board.

The Board may grant awards of DSUs from time to time to each eligible director. The DSUs are then credited to the participant's account on the award date. In any particular year the Board may, in its sole discretion, determine not to make an award to a particular eligible director or to all eligible directors as a group. See "*Business of the Meeting – Election of Directors*" for details on the amount of DSUs held by each of the directors of the Company.

The DSU Plan is administered by the Board. Subject to the limitations set forth in the DSU Plan, the Board's authority includes:

- (a) determining the eligible directors who may participate in the DSU Plan;
- (b) determining the number of DSUs that will be awarded and whether dividend equivalents will be granted to an eligible director in connection with all or a portion of such award;
- (c) determining the terms and conditions of each award or election, the effect, if any, of a DSU Plan participant's termination, and the adjustment of the terms of an award or election to comply with applicable laws or regulations; and
- (d) specifying and approving the provisions of the payment delivered to a DSU Plan participant in connection with their account, whether it be in the form of Common Shares from treasury, Common Shares purchased on the TSX on behalf of such participants, in cash, or a combination thereof.

Each eligible director shall elect to receive a percentage, ranging from a minimum of 50% to a maximum of 100%, of his annual remuneration and retainer in the form of DSUs, with the balance, if any, to be paid in cash. Notwithstanding any election made by the eligible director, if the eligible director has not satisfied the Share Ownership Guidelines of the Company applicable to members of the Board within the prescribed timeframe of such guidelines, then the Board may require that such director receive as much as 100% of his annual remuneration in the form of DSUs until such time as such director shall have satisfied the Share Ownership Guidelines.

The Board may, in its absolute discretion, elect one or any combination of the following payment methods for the DSUs credited to a participant's account on the participant's termination date:

- (a) issuing Common Shares to the participant or the participant's beneficiary, as the case may be;
- (b) causing a broker to purchase Common Shares on the TSX for the account of the participant or the participant's beneficiary, as the case may be; or
- (c) paying cash to the participant or the participant's beneficiary, as the case may be.

Where the Board does not specify any payment method for the DSUs credited to a participant's account, the form of payment shall be in cash. The maximum number of Common Shares which may be reserved for issuance to insiders under the DSU Plan and all other share-based compensation plans collectively shall be 10% of the Common Shares outstanding at the time of the grant (on a non-diluted basis). The maximum number of Common Shares which may be issued to insiders under the DSU Plan and all other share-based compensation plans collectively within a one year period shall be 10% of the Common Shares outstanding at the time of the issuance (on a non-diluted basis). Any increase in the Common Shares reserved shall be subject to the approval of the Shareholders of the Company in accordance with the rules of the TSX.

Where Common Shares are purchased on the TSX to be delivered to the participant, the Company will remit, in cash, to a broker, the product of: (a) the number of DSUs credited to the participant's account as at the termination date; and (b) the fair market value on the redemption date, for the purpose of purchasing Common Shares on the TSX for the account of the participant. Common Shares purchased by the broker and any cash remaining from the amount remitted by the Company to purchase Common Shares shall then be delivered to the participant. Where the Board elects to pay the DSUs in cash, the payment will be equal to the product of: (a) the number of DSUs credited to the participant's account as at the termination date; and (b) the fair market value on the redemption date.

The DSU Plan may be amended, suspended or terminated in whole or in part at any time and for any reason by the Board, provided that no such amendment, suspension or termination shall: (i) unless required by law, adversely affect the rights of any participant with respect to DSUs to which the participant is then entitled under the DSU Plan without the consent of the affected participant; or (ii) contravene applicable laws or regulations. Notwithstanding the foregoing, the following changes to the DSU Plan will require Shareholder approval in accordance with the requirements of the TSX: (i) any amendment increasing the number of Common Shares in the Share Reserve; (ii) any amendment granting additional powers to the Board to amend the DSU Plan or entitlements; (iii) any amendment to the definition of "Eligible Director" in the DSU Plan to add categories of eligible participants; (iv) any amendment adding new forms of compensation involving the issuance of Common Shares by the Company; (v) any amendment to assignment provisions; or (vi) any amendment to the insider participation limits.

Shareholder approval shall not be required for the following amendments and the Board may make certain changes without Shareholder approval that include, subject to any legal or regulatory approvals: (i) amendments of a "housekeeping" nature; (ii) any amendment to comply with the rules, policies, instruments and notices of any regulatory authority to which the Company is subject, including the TSX, or to otherwise comply with any applicable laws or regulations; (iii) amendments required for awards to qualify for favourable tax treatment; or (d) any amendment suspending or terminating the DSU Plan.

The rights or interests of a participant under the DSU Plan, including the DSUs, shall not be assignable or transferable, otherwise than in case of death, and such rights or interests shall not be encumbered by any means.

In the event of any stock dividend, stock split, combination or exchange of Common Shares, merger, consolidation, spin-off or other distribution (other than normal cash dividends) of the Company's assets to Shareholders, such proportionate adjustments, if any, as the Board in its discretion may deem appropriate to reflect such change, shall be made with respect to the number of DSUs credited to the accounts maintained for the participants.

### **Share Ownership Requirements**

Below is a description of the Common Share ownership guidelines (the "**Share Ownership Guidelines**"). In order to ensure alignment of the interests of its independent directors and executive officers with those of the Shareholders of the Company, the Board

has established the Share Ownership Guidelines as follows, which are to be met by the later of five years from July 7, 2009, the date of the IPO, or the individual's date of appointment:

- (a) independent directors will be required to beneficially own at least three times their annual retainer in Common Shares or DSUs;
- (b) the CEO and Executive Vice President<sup>(1)</sup> will each be required to own three times their respective annual base salary at the IPO in Common Shares and RSUs; and
- (c) all other NEOs and other executive officers will be required to own an amount equal to their annual base salary at the IPO in Common Shares and RSUs.

Note:

- (1) The Executive Vice President role was eliminated in Fiscal 2012.

The number of Common Shares, RSUs, PSUs or DSUs required to be owned pursuant to the Share Ownership Guidelines will be based on either: (i) the annual retainer; or (ii) the annualized base salary of the respective individual in effect as of the later of the closing of the IPO or the individual's appointment date to such person's relevant executive officer position, as applicable, divided by the value of the Common Shares as set forth below. For greater certainty, an individual who changes executive officer position within the Company will have to satisfy these requirements for the executive position that they held as if they were still in that position, as well as meeting the requirements for their new executive officer position. However, securities applied to the ownership requirements of one executive position also will apply to the ownership calculation for the other executive officer position.

The value of the Common Shares shall be equal to the greater of:

- (X)
  - (a) the purchase price, of Common Shares purchased;
  - (b) the closing price of the Common Shares on the vesting date in the case of RSUs; or
  - (c) the fair market value of the Common Shares on the date at which DSUs are credited to the applicable director's account (calculated in the manner set forth in the Company's DSU Plan (as defined herein)); or
- (Y) the closing market price of the Common Share, multiplied by the relevant number of Common Shares, calculated on the relevant date as of which compliance with these guidelines is being tested.

For the purposes hereof, an independent director or executive officer will be deemed to own the Common Shares, RSUs, PSUs or DSUs owned by the entity over which such director or executive officer has beneficial ownership of, or control or direction over, directly or indirectly, including, but not limited to:

- (a) his or her spouse;
- (b) his or her dependent natural born or legally adopted children;
- (c) a trust, the sole beneficiary of which are the applicable director or executive officer, or the persons specified in (a) or (b) above; and
- (d) a corporation or other legal entity, all of the voting securities or other ownership interests of which are owned by the applicable director or executive officer, or the persons specified in (a) or (b) above.

In order to help facilitate achieving the requirements of the Share Ownership Guidelines, it has been resolved by the Compensation and Nominating Committee that the independent directors must take 50% of their annual retainer in the form of DSUs and may elect to take a portion of the remainder of their annual retainer in DSUs. If a director has not met the Share Ownership Guidelines within the prescribed time periods, then 100% of such director's annual retainer will be paid in DSUs until such time as these Share Ownership Guidelines are met. In Fiscal 2012 all independent directors except Mr. Kelly elected to take one-hundred percent (100%) of their annual retainers as DSUs. In Fiscal 2012 Mr. Kelly elected to take seventy-five percent (75%) of his annual retainers as DSUs.

The determination of whether or not an individual has met the requirements of the Share Ownership Guidelines will be made by the Compensation and Nominating Committee of the Company.

The following table summarizes the five year targets and current actual Common Share ownership as of the date hereof for the NEOs, except Mr. Vukanovich, and the independent directors. As of April 30, 2012 when Mr. Vukanovich ceased to be the

Executive Vice President, Corporate Development of the Company, Mr. Vukanovich was not longer subject to the Share Ownership Guidelines.

<b>Name and Principal Position</b>	<b>Five Year Target Ownership<sup>(1)</sup> (\$)</b>	<b>Current Ownership Level<sup>(2)</sup> (\$)</b>	<b>Percentage of Goal Met (%)</b>
Brian Hurley, CEO	1,605,000	1,815,193	113
Philip Mayers, CFO	270,000	524,902	194
Stuart Levings, COO	270,000	324,738	120
Deborah McPherson, SVP, Sales & Marketing	240,000	437,286	182
Winsor Macdonell, SVP, GC <sup>(3)</sup>	189,000	288,823	153
Robert Gillespie, Director	165,000	266,080	161
Sidney Horn, Director	165,000	414,289	251
Brian Kelly, Director	165,000	293,364	178
John Walker, Director	165,000	250,152	152

Notes:

- (1) Pursuant to the terms of the Company's Share Ownership Guidelines, the number of applicable securities required to be owned is based on either: (i) the annual retainer; or (ii) the annualized base salary of the respective individual in effect as of the later of the closing of the IPO or the individual's appointment date to his or her executive officer position.
- (2) These ownership levels do not include any Options, or PSUs, but instead only reflect the value of Common Shares, RSUs and DSUs held as of the close of trading on April 22, 2013, which was \$24.06.
- (3) Although Fiscal 2012 was Mr. Macdonell's first year as a NEO, Mr. Macdonell has been subject to the Share Ownership Guidelines since the IPO.

In working towards the goal of meeting their share ownership requirements, the directors, officers and employees of the Company must adhere to the terms of the Insider Trading Policy of the Company. This policy sets out the timing of when trades may be made, but also sets out limitations on the types of trades that can be made by such personnel. Under the Insider Trading Policy, such personnel are prohibited at any time from, directly or indirectly: (a) speculating in securities of the Company, which may include buying with the intention of quickly reselling such securities, or selling securities of the Company with the intention of quickly buying such securities (other than in connection with the acquisition and sale of shares issued under the Company's stock option plan or any other Company benefit plan or arrangement); (b) buying the Company's securities on margin; (c) short selling a security of the Company or any other arrangement that results in a gain only if the value of the Company's securities declines in the future; (d) selling a "call option" giving the holder an option to purchase securities of the Company; and (e) buying a "put option" giving the holder an option to sell securities of the Company. These restrictions are in addition to applicable corporate laws that would impose additional prohibitions against speculative trading in the Company's securities.

## **COMPENSATION OF DIRECTORS**

### **Director Compensation Discussion and Analysis**

The Company designed a director compensation structure at the time of the IPO that reflected prevailing practices and consisted of annual retainers and meeting fees. Unlike executive compensation, the director compensation structure is not performance based. At the time of the IPO, the Company used an independent consultant, Mercer, to conduct a competitive review of director compensation using a subset of the peer group used to benchmark executive compensation. Estimates of total direct compensation for directors indicated that the Company's compensation structure relative to the directors' peer group was slightly below the median. In 2011, the Board reviewed and updated its director compensation structure and approved changes to it to help improve the competitiveness of the directors' compensation.

Following the 2011 changes, directors of the Company who are not officers or employees of the Company or are not employees of Genworth Financial are paid according to the following schedule:

Compensation	Value
Annual Retainer	\$57,500
Audit Chair Fee (annual)	\$12,000
Compensation and Nominating Chair Fee (annual)	\$5,000
Lead Director Fee (annual)	\$15,000
Committee Meeting Fee (per meeting)	\$2,000

Directors are entitled to be reimbursed for expenses incurred by them in their capacity as directors. See “*Executive Compensation - Share Ownership Requirements*” for more details on the payment method of directors and the Company’s Common Share ownership requirements; and “*Business of the Meeting – Election of Directors*” for details of the Common Share ownership levels of the directors.

### Director Compensation Table

The following table sets out information concerning the compensation earned from the Company during Fiscal 2012 by the independent directors of the Company. Other than the independent directors, no compensation was paid to a director for their services as a member of the Board or as a member of a committee of the Company.

Name	Fees Earned <sup>(1) (2)</sup> (\$)	Share-Based Awards <sup>(3)</sup> (\$)	Option-Based Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Pension Value (\$)	All Other Compensation (\$)	Total (\$)
Robert Gillespie	36,000	57,500	N/A	N/A	N/A	N/A	93,500
Sidney Horn	36,000	77,500	N/A	N/A	N/A	N/A	113,500
Brian Kelly	49,250	52,125	N/A	N/A	N/A	N/A	101,375
John Walker	0	57,500	N/A	N/A	N/A	N/A	57,500

Notes:

- (1) Fees earned include Chair fees, lead director fees and committee meeting attendance fees for Fiscal 2012.
- (2) On January 3, 2012, \$4,000, \$4,000, \$9,343.75 and \$1,000 was paid to each of Messrs. Gillespie, Horn, Kelly and Walker, respectively, as a final payment for director services performed in fiscal 2011.
- (3) Share-based awards include the director’s retainer for Fiscal 2012 (which each independent director elected to receive as DSUs in various proportions) and are valued based on the Common Share price at the time of grant.

### Incentive Plan Awards

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

The directors do not have any Option, RSU or PSU grants outstanding as of December 31, 2012. Other than the independent directors, no compensation has been paid to a director as part of an incentive plan award for services as a member of the Board or as a member of a committee of the Company.

#### *Value Vested or Earned During Fiscal 2012*

The table below sets out the value of all awards realized by the independent directors in Fiscal 2012. All share-based awards are paid in the form of DSUs which vest at time of grant. Other than the independent directors, no compensation was paid to a director as part of an incentive plan award for services as a member of the Board or as a member of a committee of the Company.

<b>Name</b>	<b>Option-Based Awards – Value Vested During the Year (\$)</b>	<b>Share-Based Awards – Value Vested During the Year<sup>(1)</sup> (\$)</b>	<b>Non-Equity Incentive Plan Compensation – Value Earned During the Year (\$)</b>
Robert Gillespie	N/A	62,386	N/A
Sidney Horn	N/A	84,088	N/A
Brian Kelly	N/A	56,554	N/A
John Walker	N/A	62,386	N/A

Note:

- (1) The value of the outstanding DSUs is based on the value of the Common Shares on the TSX as of the close of trading on December 31, 2012 which was \$22.59.

See “*Executive Compensation – Equity Compensation Plans*” for a description of the significant terms of all plan-based awards.

### **Directors’ and Officers’ Liability Insurance**

The Company has liability insurance for its directors and officers as well as those of its subsidiaries as a group via Genworth Financial’s umbrella coverage for all of its subsidiaries. The Genworth Financial coverage has an aggregate limit of US\$225 million with a US\$25 million deductible. Premiums of approximately US\$650,000 (2011 – US\$740,000) were paid by the Company to Genworth Financial for Fiscal 2012 in respect of such liability insurance.

In addition, the Company has blended coverage as a group via Genworth Financial’s umbrella coverage for error and omission, crime and fiduciary insurance. The Genworth Financial blended coverage has an aggregate limit of US\$100 million with a US\$25 million deductible. Premiums of approximately US\$470,000 (2011 – US\$567,000) were paid by the Company to Genworth Financial for Fiscal 2012 in respect of such liability insurance.

The Company has purchased additional liability insurance for its directors and officers with an aggregate limit of \$25 million and a \$250,000 deductible. Premiums of approximately \$197,000 (2011 - \$209,000) were paid by the Company in Fiscal 2012. This insurance was purchased to provide direct coverage for the Company’s directors and officers as well as to provide an infill for the US\$25 million deductible for Genworth Financial’s umbrella coverage.

### **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

No director, nominee or officer of the Company or any of its subsidiaries and none of their associates is currently or was at any time during Fiscal 2012, indebted to the Company or any of its subsidiaries and no indebtedness of such persons has been the subject of a guarantee, support agreement, letter of credit or other similar agreement provided by the Company or any of its subsidiaries, except for routine indebtedness.

### **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

No director, nominee, executive officer, employee or informed person or former director, executive officer or employee or any associate or affiliate of the foregoing has, or has had, any material interest in any transaction with the Company since the commencement of Fiscal 2012 or in any proposed transaction that has materially affected or will materially affect the Company or any of its subsidiaries.

### **CORPORATE GOVERNANCE**

As a Canadian reporting issuer with securities listed on the TSX, the Company has in place corporate governance practices that are consistent with the requirements of that stock exchange and the applicable rules adopted by the Canadian Securities Administrators. The Company is committed to maintaining high standards of governance in accordance with Canadian regulatory requirements, particularly *National Instrument 58-101 – Disclosure of Corporate Governance Practices* (“**NI 58-101**”), *National Policy 58-201 – Corporate Governance Guidelines* and *National Instrument 52-110 – Audit Committees* (“**NI 52-110**”).

## **Board of Directors**

In Fiscal 2012, the Board consisted of nine directors: Robert Brannock, Robert Gillespie, Sidney Horn, Brian Hurley, Brian Kelly, Samuel Marsico, Leon Roday, Jerome Upton and John Walker. Genworth Financial has the right to elect a certain number of directors, through its beneficial ownership of the Special Share and based on its level of beneficial ownership of Common Shares. Currently, Genworth Financial has a beneficial ownership interest in the Company of greater than 50%, which entitles it to elect a majority of the directors of the Company.

## **Independence of Directors**

Four of the nominees for the Board, Messrs. Gillespie, Horn, Kelly and Walker, are independent, as that term is defined in NI 58-101. For the purposes of NI 58-101, a director is independent if he or she has no direct or indirect material relationship with the Company. A “material relationship” is a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of a director’s independent judgment. Certain relationships are deemed to be material relationships for these purposes.

Five nominees for the Board, Messrs. Brannock, Hurley (the Chairman of the Board), Marsico, Roday and Upton, are not independent for the purposes of NI 58-101. Each of these persons is not independent because he is an employee of the Company or one of its affiliates. As a majority of the members of the Board are not independent, and as the Chairman of the Board also serves as the CEO, to help ensure that the Board can apply independent judgment in carrying out its responsibilities, Mr. Horn, an independent director, was appointed as a lead director of the Board.

The role of the lead director is to facilitate the functioning of the Board independently of management of the Company and provide independent leadership to the Board. In fulfilling his responsibilities, the lead director is responsible for: (a) providing leadership to ensure that the Board functions independently of management of the Company and other non-independent directors; (b) providing leadership to foster the effectiveness of the Board; (c) working with the Chairman to ensure that the appropriate committee structure is in place and assisting the Board in making recommendations for appointment to such committees; (d) suggesting items of importance for consideration on the agenda and working with the Chairman to set the agenda for each meeting of the Board; (e) in the absence of the Chairman, chairing Board meetings, including stimulating debate, providing adequate time for discussion of issues, facilitating consensus, encouraging full participation and discussion by individual directors and confirming that clarity regarding decision-making is reached and accurately recorded; in addition, chairing each Board meeting at which only non-management directors are present; (f) as may be required from time to time, consulting and meeting with any or all of the directors, at the discretion of either party and with or without the attendance of the Chairman; (g) representing the independent directors in discussions with management of the Company on corporate governance issues and other matters; (h) providing recommendations; advice to the Compensation and Nominating Committee on candidates for nomination or appointment to the Board; (i) recommending, where necessary, the holding of special meetings of the Board; (j) working with the Chairman to ensure that the Board is provided with the resources to permit it to carry out its responsibilities and bringing to the attention of the Chairman any issues that are preventing the Board from being able to carry out its responsibilities; and (k) providing additional services required by the Board.

At the conclusion of each Board meeting, a portion of the meeting is reserved for an in camera discussion of the independent directors of the Company at which members of management are excluded. The independent directors of the Company may meet separately from non-independent directors and management as part of every Board meeting. As the lead independent director, Mr. Horn presides at all such meetings. During these meetings, the independent directors have the opportunity to speak in camera with any employee of the Company it so requests, the auditors or legal counsel to the Board. During Fiscal 2012, the independent directors held these in camera meetings at 9 of 10 Board meetings. In addition, the Board facilitates open and candid discussions among its independent directors by having a lead independent director and encouraging them to hold ad hoc discussions on matters as they arise.

The independent directors also comprise the Audit Committee, and certain of them are members of the Compensation and Nominating Committee, and the Risk, Capital and Investment Committee which provides the independent directors with an opportunity to review and discuss matters that come before such Committees.

## **Mandates**

The Board operates under the Board of Directors Mandate attached to this Circular as Appendix A. In summary, the mandate of the Board, which it discharges directly or through one of the three Board committees, is to supervise the management of the business and affairs of the Company, and includes responsibility for strategic planning, review of operations, disclosure and communication policies, oversight of financial and other internal controls, corporate governance, director orientation and education, senior management compensation and oversight, and director compensation and assessment.

The primary mandate of the Audit Committee is to review the financial statements of the Company and public disclosure documents containing financial information and to report on such review to the Board, to be satisfied that adequate procedures are in place for the review of the Company’s public disclosure documents that contain financial information, to oversee the work and review



the independence of the external auditors and to review, evaluate and approve the internal control procedures that are implemented and maintained by management.

The primary mandate of the Compensation and Nominating Committee is to approve compensation policies and guidelines for senior management of the Company, to recommend to the Board compensation arrangements for the directors and for the CEO, to manage incentive compensation plans and equity compensation plans, and to review succession plans for management. The mandate of the Compensation and Nominating Committee also includes assessing the effectiveness of the Board, the committees of the Board and the directors, and recommending to the Board candidates for election as directors and candidates for appointment to Board committees.

The primary mandate of the Risk, Capital and Investment Committee is to review the Company's business plan, risk management procedures, capital levels and portfolio investment strategies.

### **Position Descriptions**

The Board has developed and implemented written position descriptions for the Chairman and CEO, the lead director and the Chair of each committee of the Board.

### **Ethical Business Conduct**

The Board has adopted the Genworth Financial Code of Ethics (the "**Code of Ethics**") as it relates to the Company to govern the conduct of the Company's directors, officers and employees. A copy of the Code of Ethics may be obtained by contacting the Company or may be retrieved from the Company's website at [www.genworth.ca](http://www.genworth.ca) or at from SEDAR at [www.sedar.com](http://www.sedar.com).

The Board oversees compliance with the Code of Ethics through the Company's senior legal officer, who monitors compliance with the Code of Ethics as it relates to the Company and reports to the Audit Committee on such compliance at least annually. Officers and employees must report known and suspected breaches of the Code of Ethics, and directors must report known and suspected breaches to the Company's senior legal officer or to the Chairman of the Board. All reported breaches and results of investigations are reported to the Audit Committee.

In order to help ensure that directors exercise independent judgment in considering transactions and agreements in respect of which a director or an executive officer has a material interest, the director or executive officer having a conflict of interest must declare his or her interest and excuse himself or herself from the meeting during the consideration of, and voting on, that particular matter. If a conflict of interest arises on a non-material matter, the director must declare his or her interest and abstain from discussion and voting.

The Company requires that the directors, officers and employees annually certify they have complied with its Code of Ethics. To date, the Company has not been required to file a material change report relating to a departure from the Code of Ethics.

### **Compensation and Nominating Committee**

The Compensation and Nominating Committee is comprised of three members, Messrs. Horn, Gillespie and Roday, of which two are considered to be independent for the purposes of NI 58-101, Messrs. Horn and Gillespie.

### ***Relevant Education and Experience***

All members of the Compensation and Nominating Committee have experience in compensation review and management. For additional information regarding the education and experience for each member of the Compensation and Nominating Committee relevant to the performance of his duties as a member of the Compensation and Nominating Committee, see "*Executive Compensation – Compensation Discussion and Analysis - Compensation Governance*".

In order to encourage an objective nomination process for new directors, the Compensation and Nominating Committee will consider potential candidates from a variety of sources and evaluates the suitability of such candidates using pre-determined, objective criteria.

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

The Compensation and Nominating Committee is responsible for director orientation and education. All newly elected directors will be provided with a comprehensive orientation as to the nature and operation of the business and affairs of the Company and as to the role of the Board and its committees. Existing directors are to be periodically updated in respect of these matters.

In order to orient new directors, and to help existing directors maintain the skills and knowledge as to the nature and operation of the Company's business, the Board is periodically provided with presentations by management relating to the business, strategies and the competitive environment of the Company, changes to the regulatory environment affecting the Company, the economy in general and any other developments that could materially affect the Company's business. All directors also have the opportunity to meet with members of the Company's executive management team as desired to further discuss the Company's business and activities. The Board also periodically invites experts that are not affiliated with the Company, such as investment managers, accounting experts or regulators, to speak to the Board and provide continuing education about, among other things, their fiduciary duties and trends in corporate governance. Important regulators of the Company and its subsidiaries are also invited during the year to speak to the board of directors and provide insight into the regulatory landscape facing the Company. The orientation and continuing education program is designed to assist the directors in fully understanding the nature and operation of the Company's business, the role of the Board and its committees, and the contributions that individual directors are expected to make.

### ***Nomination and Assessment of Directors***

The Compensation and Nominating Committee is responsible for, subject to the director election rights of Genworth Financial, identifying new candidates, as needed, for Board nomination, and for recommending to the Board qualifications for directors including, among other things, the competencies, skills, business and financial experience, leadership roles and the level of commitment required to fulfill Board responsibilities. The Committee recognizes that each director will contribute differently to the Board and that each will bring particular strengths in different areas of qualification.

At the time that new nominees may be required, the Compensation and Nominating Committee will consider the rights of Genworth Financial, the qualifications that existing directors possess and that each new nominee will bring to the Board, and will be responsible for identifying candidates qualified for Board membership, and recommending to the Board nominees to be placed before the Shareholders.

The Compensation and Nominating Committee also reviews and assesses from time to time the contributions and effectiveness of the Board, of its committees and the directors. The Compensation and Nominating Committee co-ordinates an annual evaluation of the Board, its committees and the directors to determine whether they are functioning effectively and meeting their respective objectives and goals. The objective of the assessments is to ensure the continued effectiveness of the Board, its committees and the directors in the execution of their responsibilities and to contribute to a process of continuing improvement. The Compensation and Nominating Committee facilitates such evaluations by conducting a survey of the directors with respect to their views on matters such as: the effectiveness of the Board, each committee and its Chair; the contribution of individual directors; the adequacy and timeliness of the information provided to directors; agenda planning for Board meetings; and contributions of Board and committee members. The Compensation and Nominating Committee reports to the Board on the results of its survey and evaluations, which provides the Board with the opportunity to consider whether any changes to the composition, structure or mandates of the Board or its committees are appropriate. The Compensation and Nominating Committee further monitors the relationship between management and the Board and reviews the Company's governance structures to ensure that the Board is functioning independently of management of the Company.

### ***Succession Planning***

In accordance with its mandate, the Compensation and Nominating Committee oversees succession for the CEO and the other NEOs. The Company does not currently have a retirement policy in place for its directors. Annually, the Compensation and Nominating Committee conducts a formal in-depth review of each of the succession plans in order to satisfy itself that the succession plans meet the needs of the Company. The Compensation and Nominating Committee presents its findings to the Board annually.

### ***Compensation***

The Compensation and Nominating Committee has three primary responsibilities relating to compensation. First, the Compensation and Nominating Committee monitors management resources, structure, succession planning, development and selection processes, as well as the performance of key executives. Second, it reviews and approves the Company's executive compensation and broad-based incentive compensation plans. Finally, the Compensation and Nominating Committee recommends to the Board for approval the compensation arrangements for the directors, the Chairs of the Board committees and the members of the Board committees. More information on the process by which compensation for the Company's directors and officers is determined is set forth under the headings "*Executive Compensation – Compensation Discussion and Analysis*" and "*Compensation of Directors*".

In order to ensure an objective process for determining compensation, the Compensation and Nominating Committee considers a variety of pre-determined, objective criteria and consults with independent third-party advisers.

The Board is ultimately responsible for the management of business-related and compensation-related risks. To encourage behaviour that is the best interest of the Company and its shareholders, all inherent and residual risks are regularly identified, reviewed

and managed by the Board. All compensation, benefits and other human resources policy design for senior executives is centralized in Human Resources with oversight and approval by the Compensation and Nominating Committee, on behalf of the Board. The Committee regularly reviews the compensation programs of the Company to ensure that significant controls and appropriate decision authorities are in place to monitor for potential risks associated with short-term and long-term incentive plans. The Compensation and Nominating Committee also endeavours to ensure that the size of the awards related to any given incentive plan metric, within the influence of a key decision maker, is not significant enough to encourage excessive risk-taking. The Committee is responsible for approving all compensation, benefits and human resources policies and programs for the Company, and for the compensation design for the NEOs with the exception of the CEO. The Compensation and Nominating Committee recommends the CEO's compensation design to the Board for approval. See *"Executive Compensation – Compensation Discussion and Analysis – Risk Assessment of Compensation Programs"*.

## **Audit Committee**

The Company's Audit Committee is comprised of three members, Messrs. Gillespie, Kelly and Horn. Each of the members of the Audit Committee is considered to be "independent" and "financially literate" within the meaning of NI 52-110.

### ***Relevant Education and Experience***

All members of the Audit Committee have experience reviewing financial statements and dealing with related accounting and auditing issues. The following sets out the education and experience of each member of the Audit Committee relevant to the performance of his responsibilities as an Audit Committee member:

- |                   |  |
|-------------------|--|
| Robert Gillespie: | Mr. Gillespie has held senior management positions, including Chief Executive Officer of General Electric Canada, and has served as a director of a number of Canadian public companies.   |
| Sidney Horn:      | Mr. Horn has a Masters of Business Administration degree from Columbia University and, as a partner with Stikeman Elliott LLP, is regularly involved in complex corporate, commercial and securities transactions.   |
| Brian Kelly:      | Mr. Kelly has a Bachelor of Arts degree in Business Administration from St. Francis Xavier University and has over 20 years' experience in finance positions with General Electric. Mr. Kelly has been the Chairman of the Audit Committee of Genworth Mortgage Insurance Canada since 2005. |

For additional information regarding the education and experience for each member of the Audit Committee relevant to the performance of his duties as a member of the Audit Committee, see *"Business of the Meeting – Election of Directors"*. For further information regarding the Audit Committee, see *"Appendix 'A' – Audit Committee Information"* in the Company's Annual Information Form (**"AIF"**), which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## ***Pre-Approval Policy***

As part of its mandate, the Audit Committee has adopted a policy regarding the engagement of audit and non-audit services (the **"Pre-Approval Policy"**) for the purpose of identifying, mitigating or eliminating potential threats to the independence of the external auditor. The Pre-Approval Policy is reviewed and approved by the Audit Committee on an annual basis.

The Pre-Approval Policy prohibits the Company or any of its subsidiary entities from engaging the external auditor to provide certain specified non-audit services. Pursuant to the Pre-Approval Policy, all non-audit services that are not specifically prohibited may be provided to the Company or any of its subsidiary entities by the external auditor if such services have been pre-approved by the Audit Committee.

## **Risk, Capital and Investment Committee**

The Company's Risk, Capital and Investment Committee is comprised of three members, Messrs. Kelly, Marsico and Upton. Mr. Kelly is the only member of this committee that is considered to be independent for the purposes of NI 58-101.

The primary mandate of the Risk, Capital and Investment Committee is to review the Company's business plan, risk management procedures, capital levels and portfolio investment strategies. The Risk, Capital and Investment Committee meets regularly with members of management, including the Chief Regulatory Officer, and discusses significant elements of risk management, including policies and procedures to manage risk. At such meetings, the Risk, Capital and Investment Committee have the opportunity to assess the effectiveness of the Company's risk management policies and procedures. Following each meeting of the

Risk, Capital and Investment Committee, the Committee reports to the Board on such meetings and provides the full Board with the opportunity to further discuss and provide feedback on any issues dealt with by the Committee.

### **Corporate Governance of Genworth Mortgage Insurance Canada**

The board of directors of Genworth Mortgage Insurance Canada, the Company's insurance subsidiary, consists of 11 members. The board of directors of Genworth Mortgage Insurance Canada consists of the nine members of the Company's Board, as well as David Gibbins and Heather Nicol. Genworth Mortgage Insurance Canada's board of directors has constituted three committees, an audit committee, comprised of the same members as the Company's Audit Committee; a conduct review committee, comprised of Messrs. Kelly, Upton and Walker; and a risk, capital and investment committee comprised of the same members as the Company's Risk, Capital and Investment Committee.

Mr. Gibbins joined the board of directors of Genworth Mortgage Insurance Canada in May 2007. Mr. Gibbins is currently a member of the board of directors of Greenfield Financial Group, a Canadian listed public company involved in asset-based lending. He has also served as a director, since 2006, of Patient Care Automated Services, a Canadian private corporation focused on pharmacy automation technology and, since 2008, of Certifi Media, a Rochester, New York-based private corporation involved in the digital imaging business. From 1996 until his retirement in 2003, Mr. Gibbins was Managing Director, Global Head Foreign Exchange and Commodity Derivatives, for RBC Capital Markets, a position he had held since 1996. He also served as a member of the Executive Committee of RBC Capital Markets from 1998 until his retirement. Mr. Gibbins has a Bachelor of Commerce degree from Concordia University.

Ms. Nicol joined the board of Genworth Mortgage Insurance Canada in June 2011. She has held several senior financial management positions including Chief Financial Officer for the MaRS Discovery District and Chapters Online, as well as investment banking roles including Vice-President for BMO Nesbitt Burns. She was also a founding board member of Desjardins Credit Union.

### **Shareholder Communication with the Board**

The Company has a process for Shareholders to communicate with the Board. Communications in writing should be sent to:

The Board of Directors of Genworth MI Canada Inc.  
Attention: Winsor Macdonell  
Senior Vice President, General Counsel and Secretary  
2060 Winston Park Drive, Suite 300  
Oakville, ON, Canada, L6H 5R7

Matters relating to the Company's accounting, internal accounting controls or auditing matters will be referred to the Audit Committee. Other matters will be referred to the Chairman of the Board.

### **MANAGEMENT CONTRACTS**

No management functions of the Company are performed to any substantial degree by a person other than the directors or executive officers of the Company.

### **ADDITIONAL INFORMATION**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information is provided in the Company's comparative financial statements and management's discussion and analysis ("MD&A") for its most recently completed financial year. Copies of the Company's AIF, together with any document incorporated by reference therein, including the most recent annual financial statements together with the accompanying report of the auditor, may be found on SEDAR at [www.sedar.com](http://www.sedar.com). Shareholders may also contact the Company to request copies of the Company's financial statements and MD&A by contacting Winsor Macdonell, Senior Vice President, General Counsel and Secretary, 2060 Winston Park Drive, Suite 300, Oakville, ON, Canada, L6H 5R7 or via e-mail at [winsor.macdonell@genworth.com](mailto:winsor.macdonell@genworth.com).

### **OTHER BUSINESS**

Management is not aware of any amendments or variations to matters identified in the Notice of the Meeting or of any other matters that are to be presented for action at the Meeting, other than those described in the Notice.

## **DIRECTORS' APPROVAL**

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

DATED at Oakville, Ontario, this 22<sup>nd</sup> day of April, 2013

**BY ORDER OF THE BOARD OF DIRECTORS**

A handwritten signature in black ink, appearing to read "Brian Hurley", written in a cursive style.

Brian Hurley  
Chairman of the Board of Directors

## **APPENDIX A**

### **BOARD OF DIRECTORS MANDATE**

#### **1. Purpose**

The members of the Board of Directors (the “**Board**”) have the duty to supervise the management and affairs of Genworth MI Canada Inc. (the “**Company**”). The Board, directly and through its committees, shall provide direction to senior management, generally through the Chief Executive Officer, to pursue the best interests of the Company.

#### **2. Duties and Responsibilities**

The Board shall have the specific duties and responsibilities outlined below.

##### ***Strategic Planning***

###### **(a) Strategic Plans**

At least annually, the Board shall review and, if advisable, approve the Company’s strategic plans. In discharging this responsibility, the Board shall consider management’s assessment of emerging trends, the competitive environment, the opportunities for the business of the Company, risk issues, and significant business practices and products.

###### **(b) Business and Capital Plans**

At least annually, the Board shall review and, if advisable, approve the Company’s annual business and capital plans as well as policies and processes generated by management relating to the authorization of major investments and significant allocation of capital.

###### **(c) Monitoring**

The Board shall monitor management’s implementation of the Company’s strategic, business and capital plans. The Board shall review and, if advisable, approve any material amendments to, or variances from, these plans.

##### ***Risk Management***

###### **(a) General**

The Board shall receive regular reports from the Risk, Capital and Investment Committee on the principal risks associated with the Company’s business and operations, including the implementation by management of appropriate enterprise risk management systems to manage these risks, and reports by management relating to the operation of, and any material deficiencies in, these systems.

###### **(b) Verification of Controls**

The Board shall verify that internal, financial, non-financial and business control and management information systems have been established and are being maintained by management.

##### ***Human Resource Management***

###### **(a) General**

At least annually, the Board shall review a report of the Compensation and Nominating Committee concerning the Company’s approach to human resource management and executive compensation.

###### **(b) Succession Review**

At least annually, the Board shall review the succession plans of the Company for the Chair, the Lead Director, the Chief Executive Officer and other executive officers, including the appointment, training and monitoring of such persons.

(c) Integrity of Senior Management

The Board shall, to the extent feasible, satisfy itself as to the integrity of the Chief Executive Officer and other executive officers of the Company and that the Chief Executive Officer and other senior officers strive to create a culture of integrity throughout the Company.

***Corporate Governance***

(a) General

The Board shall conduct a periodic review of the Company's corporate governance policies and make policy recommendations aimed at enhancing Board and committee effectiveness. The Board shall review overall governance principles, monitor disclosure and best practices of comparable and leading companies. The Board shall review the disclosure in the Company's public disclosure documents relating to corporate governance practices. The Board shall conduct a periodic review of the relationship between management and the Board, particularly in connection with a view to ensuring effective communication and the provision of information to directors in a timely manner.

(b) Director Independence

At least annually, the Board shall review a report of the Compensation and Nominating Committee that evaluates the director independence standards established by the Board and the Board's ability to act independently from management in fulfilling its duties.

(c) Ethics Reporting

The Board has adopted the Genworth Financial, Inc. Code of Ethics (the "Code") applicable to directors, officers and employees of the Company. At least annually, the Board shall review compliance with, or material deficiencies from, the Code. The Board shall receive reports from the Chief Executive Officer regarding breaches of the Code. The Board shall review investigations and any resolutions of complaints received under the Code.

(d) Conflicts of Interest

The Board shall monitor conflicts of interest (real or perceived) of both the Board and management in accordance with the Code.

(e) Mandate Review

At least annually, the Board shall review the Board of Directors Mandate and the mandates for each Committee of the Board, together with the Position Descriptions of each of the Chair of the Board, the Chief Executive Officer, the Lead Director and Committee Chairs, to ensure compliance with any rules or regulations promulgated by any regulatory body and approve any modifications to such items as considered advisable.

***Communications***

(a) General

The Board will adopt a disclosure policy for the Company. At least annually, the Board, in conjunction with the Chief Executive Officer, shall review the Company's overall policy with respect to disclosure, including measures for receiving feedback from the Company's stakeholders, and management's compliance with such policy.

(b) Shareholders

The Company endeavours to keep its shareholders informed of its progress through an annual report, annual information form, quarterly interim reports and periodic press releases. Directors and management meet with the Company's shareholders at the annual meeting and are available to respond to questions at that time.

**3. Composition**

***General***

The composition and organization of the Board, including: the number, qualifications and remuneration of directors; the number of Board meetings; Canadian residency requirements; quorum requirements; meeting procedures and notices of meetings shall

comply with applicable requirements of the *Canada Business Corporations Act* (the “**CBCA**”), the *Securities Act* (Ontario) (the “**Act**”) and the articles and by-laws of the Company, subject to any exemptions or relief that may be granted from such requirements.

Each director must have an understanding of the Company’s principal operational and financial objectives, plans and strategies, and financial position and performance. Directors must have sufficient time to carry out their duties and not assume responsibilities that would materially interfere with, or be incompatible with, Board membership. Directors who experience a significant change in their personal circumstances, including a change in their principal occupation, are expected to advise the chair of the Compensation and Nominating Committee.

The Board will establish a maximum retirement age.

#### ***Chair of the Board***

If the Chair of the Board is not independent (as defined in National Policy 58-201 *Corporate Governance Guidelines*, as may be amended from time to time), then the independent directors shall select from among their number an independent director who will act as “Lead Director” and who will assume responsibility for providing leadership to enhance the effectiveness and independence of the Board. The Chair, if independent, or the Lead Director if the Chair is not independent, shall act as the effective leader of the Board and ensure that the Board’s agenda will enable it to successfully carry out its duties.

### **4. Committees of the Board**

The Board has established the following committees: the Audit Committee, the Compensation and Nominating Committee, and the Risk, Capital and Investment Committee. Subject to applicable law, the Board may establish other Board committees or merge or dispose of any Board committee.

#### ***Committee Mandates***

The Board has approved mandates for each Board committee and shall approve mandates for each new Board committee. The Board shall review the appropriate structure, size, composition, mandate and members for the committees, and approve any modifications to such items as considered advisable. At least annually, each mandate shall be reviewed by the Board and any suggested amendments shall be considered by the Board for approval. In addition, the Board shall institute procedures to ensure that the Board and the committees function independently of management.

#### ***Delegation to Committees***

The Board has delegated to the applicable committee those duties and responsibilities set out in each Board committee’s mandate.

#### ***Consideration of Committee Recommendations***

As required by applicable law, by applicable committee Mandate or as the Board may consider advisable, the Board shall consider for approval the specific matters delegated for review to Board committees.

#### ***Board/Committee Communication***

To facilitate communication between the Board and each Board committee, each committee chair shall provide a report to the Board on material matters considered by the committee at the first Board meeting after the committee’s meeting.

### **5. Meetings**

The Board will meet at least once in each quarter, with additional meetings held as deemed advisable. The Chair is primarily responsible for the agenda and for supervising the conduct of the meeting. Any director may propose the inclusion of items on the agenda, request the presence of, or a report by any member of senior management, or at any Board meeting raise subjects that are not on the agenda for that meeting. Meetings of the Board shall be conducted in accordance with the Company’s by-laws.

#### ***Secretary and Minutes***

The Secretary of the Company, his or her designate or any other person the Board requests shall act as secretary of Board meetings. Minutes of Board meetings shall be recorded and maintained by the Secretary and subsequently presented to the Board for approval.



### ***Meetings Without Management***

The independent members of the Board shall hold regularly-scheduled meetings, or portions of regularly scheduled meetings, at which non-independent directors and members of management are not present.

### ***Directors' Responsibilities***

Each director is expected to attend all meetings of the Board and any committee of which he or she is a member. Directors will be expected to have read and considered the materials sent to them in advance of each meeting and to actively participate in the meetings.

### ***Access to Management and Outside Advisors***

The Board shall have unrestricted access to management and employees of the Company. The Board shall have the authority to retain and terminate external legal counsel, consultants or other advisors to assist it in fulfilling its responsibilities and to set and pay the respective reasonable compensation of these advisors without consulting or obtaining the approval of any officer of the Company. The Company shall provide appropriate funding, as determined by the Board, for the services of these advisors.

### ***Service on Other Boards and Audit Committee***

Directors may serve on the boards of other public companies so long as these commitments do not materially interfere and are compatible with their ability to fulfill their duties as a member of the Board. Directors must advise the Chair in advance of accepting an invitation to serve on the board of another public company.

## **6. Management**

### ***Position Descriptions for Directors***

The Board has approved position descriptions for the Chair, the Lead Director and the chair of each Board committee. At least annually, the Board shall review such position descriptions.

### ***Position Descriptions for CEO***

The Board has approved the position description for the Chief Executive Officer, which includes delineating management's responsibilities. The Board has also approved the corporate goals and objectives that the Chief Executive Officer has responsibility for meeting. At least annually, the Board shall review such position descriptions and such corporate goals and objectives.

## **7. Director development and evaluation**

Each new director shall receive orientation materials from management. All directors shall have sufficient access to management to allow each director to receive such additional educational information as deemed necessary by each director. The Board may request that management prepare and present, or retain experts to present, continuing education presentations to the Board dealing with any matters deemed appropriate by the Board, including any recent developments or changes in laws or regulations impacting the Company or its business.

The directors shall annually review the performance of the Board and provide any feedback they might have to the Company relating to the operation or performance of the Board.

## **8. No Rights Created**

This Mandate is a statement of broad policies and is intended as a component of the flexible governance framework within which the Board, assisted by its committees, directs the affairs of the Company. While it should be interpreted in the context of all applicable laws, regulations and listing requirements, as well as in the context of the Company's articles and by-laws, it is not intended to establish any legally binding obligations.

Updated: September 2012