

McELVAINE INDEPENDENT REVIEW COMMITTEE

March 9th, 2021

Report to McElvaine Investment Management Inc.'s Board of Directors

Introduction

My colleagues on the Independent Review Committee and I are pleased to present the following report on our activities during the year.

The IRC carried out its annual assessment for the Reporting Period on March 9, 2021 (the "Self-assessment Date"). for the period from November 7, 2019 to December 31, 2020 (the "Reporting Period").

The Independent Review Committee (the "Committee" or the "IRC") met four times during the Reporting Period on November 7, 2019, November 27, 2019, March 6, 2020 and October 30, 2020.

Reporting to the Manager pursuant to the Instrument

Section 4.2 of NI 81-107 (the "Instrument") requires that the IRC must regularly and at least annually undertake a review and assessment of its interactions with the Manager (4.2(1)), a review of its independence and compensation (4.2(2)) and a self assessment review (4.2(3)). Section 4.3 of the Instrument requires that the IRC report annually to the Manager on the results of its regular assessments pursuant to subsections 4.2(1) and (2) of the Instrument.

This Report sets out the results of the IRC's assessments.

Self-assessment Review

Subsection 4.2(1): At least annually the IRC is required to review and assess the adequacy and effectiveness of;

- i. the manager's written policies and procedures;
- ii. any standing instructions ("SIs") the IRC has provided to the manager;
- iii. the manager's and the investment plans' compliance with any conditions imposed by the IRC in a recommendation or approval it has provided to the manager; and,
- iv. any subcommittee appointed by the IRC.

Section 4.2(1)(a): As part of this detailed review, the Committee assessed the adequacy and effectiveness of the COIM manual. There were no changes to securities legislation or the Manager's business requiring any changes. The IRC is therefore satisfied with the current COIM manual.

Section 4.2(1)(b): The Committee is required to assess the adequacy and effectiveness of each SI. In

addition, as part of the Committee's annual assessment, **Section 5.4(2) (b)** of the Instrument requires the Committee to:

- i. assess the adequacy and effectiveness of the manager's written policies and procedures on a matter or on the type of matter permitted by an SI;
- ii. reaffirm or amend each SI; and,
- iii. advise the manager in writing of all changes to the SIs.

The Committee has regularly received the Manager's reports on SI adherence and reliance on the SI covering the Reporting Period. The Manager relied on its SI during the Reporting Period. No changes were recommended to its SI and on the Self-assessment Date, the Committee reaffirmed the SI in accordance with section 5.4(2) of the Instrument.

Section 4.2(1)(c): On November 27, 2019, Tim McElvaine, the CEO of the Manager as well as its Chief Compliance Officer ("CCO") and Ultimate Designated Person ("UDP"), proposed that he remain as a director of Glacier Media Inc. ("Glacier"). Glacier is a publicly traded firm. The McElvaine Investment Trust ("TMIT" or the "Fund") holds approximately 3.5% of Glacier's outstanding shares giving rise to a conflict of interest. After reasonable inquiry, and reviewing the written material provided by the Manager, the IRC determined that Mr. McElvaine's position as a director of Glacier gives rise to a conflict of interest which cannot be adequately mitigated. The IRC therefore approved of Mr. McElvaine's decision to resign as a director of Glacier effective as of December 31, 2019.

Section 4.2(1)(d): There was no subcommittee appointed by the IRC in the Reporting Period.

Subsection 4.2(2) requires the IRC at least annually to review and assess:

- i. the independence of its members; and,
- ii. the compensation of its members.

Section 4.2(2)(a): Each member of the IRC completed a Re-certification of Independence with respect to his/her appointment to the Committee prior to an IRC meeting held on the Self-assessment Date. This Re-certification is intended to ensure that each member remains independent within the meaning of the Instrument – i.e. had no material relationship with the Manager, any Fund under the purview of the IRC or an entity related to the Manager.

Section 4.2(2)(b): At least annually, the IRC reviews its compensation considering the following:

- i. the nature and extent of the workload of each member of the IRC, including the commitment of time and energy expected from each member;
- ii. the number of meetings required by the IRC including special meetings to consider conflict issues brought to the committee;
- iii. industry best practices, including industry averages and surveys on IRC compensation; and,
- iv. the complexity of the conflict issues brought to the IRC.

After a review of the above factors and based on an agreement with the Manager, the IRC determined that its compensation would be increased to \$8,000.00 annually for the Chair and \$6,000 annually for each of the members commencing in 2021.

Section 4.2(3): As part of the review, the members of the Committee completed an individual questionnaire that comprised self-assessments of the member and of the Committee as a whole. The

Committee, after reviewing these individual self-assessments, completed a collective questionnaire on the same subjects. Topics covered in these questionnaires included:

- independence and compensation of the current members;
- effectiveness of the Committee and its individual members, including frequency and conduct of meetings;
- usefulness of materials provided to the Committee;
- the collective experience and background of the members;
- a review of the relations with the Manager, including the ability to remain independent from any interference by the Manager; and,
- a review of the Committee's Charter.

No issues that needed to be addressed arose as a result of the responses to the individual and collective questionnaires. Each IRC meeting was well attended, and each member believes that the Committee is operating effectively.

Section 4.2(4): As part of its annual assessment, the Committee assessed the adequacy and effectiveness of its Written Charter and was content with the Written Charter in its current form. No changes were proposed by the IRC or the Manager.

Evaluation of Interactions with the Manager

The IRC reviewed the Manager's interaction with the IRC by way of a questionnaire completed by the Manager. The Manager indicated that the IRC is operating effectively from its point of view and it was very satisfied with the interaction with the Committee and had no issues to report. The IRC Members noted that this part of the meeting and the completed questionnaire constituted feedback from the Manager as part of the IRC's regular assessment process.

Continuing Education

Two continuing education seminars were presented by Independent Review Inc. covering several topics of interest to IRC members. Members of the Committee attended the seminars on June 16, 2020 and November 24, 2020. Due to the Pandemic, the seminars were held on-line and attracted participants from across the Country.

There were no other matters of consequence arising from the review.

In closing, we would like to comment favourably on the completeness and quality of all materials prepared for the IRC by Tim McElvaine. His knowledge of the business and their cooperation in answering all the questions posed by members of the IRC made it easier to fulfill our responsibilities.

Respectfully submitted on behalf of the IRC



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The McElvaine Independent Review Committee

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