CARIBBEAN UTILITIES COMPANY, LTD.

ANNUAL INFORMATION FORM

FOR THE YEAR ENDED December 31, 2021

DATED: February [11], 2022

CARIBBEAN UTILITIES COMPANY, LTD.

ANNUAL INFORMATION FORM FOR THE YEAR ENDED DECEMBER 31, 2021

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This Annual Information Form should be read in conjunction with the consolidated financial statements of Caribbean Utilities Company, Ltd. ("CUC" or the "Company") for the year ended December 31, 2021 (the "2021 Financial Statements") included in the Company's 2021 Annual Report to shareholders (the "Annual Report"). The information disclosed in this Annual Information Form is as of December 31, 2021, unless otherwise stated. The material has been prepared in accordance with National Instrument 51-102 Continuous Disclosure Obligations ("NI 51-102") and National Instrument 52-110 Audit Committees ("NI 52-110").

Additional information in this Annual Information Form has been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP"), including certain accounting practices applicable to rate-regulated entities. These accounting practices and their impact, which are disclosed in the notes to the 2021 Financial Statements, result in regulatory assets and liabilities which would not occur in the absence of rate regulation. In the absence of rate regulation, the amount and timing of recovery or refund by the Company of the costs of providing services from customers through appropriate billing rates would not be subject to regulatory approval.

In December 2017, the Ontario Securities Commission ("OSC") issued a relief order which permits CUC to continue to prepare its financial statements in accordance with U.S. GAAP. The relief extends until the earliest of: (i) January 1, 2024; (ii) the first date of the financial year that commences after the Company ceases to have activities subject to rate regulation; or (iii) the effective date prescribed by the International Accounting Standards Board (the "IASB") for the mandatory application of a standard within IFRS specific to entities with activities subject to rate regulation. Canadian securities laws allow a reporting issuer to prepare and file its financial statements in accordance with U.S. GAAP by qualifying as a U.S. Securities and Exchange Commission ("SEC") registrant. Without the OSC relief order, the Company would be required to become an SEC registrant in order to continue reporting under U.S. GAAP, or adopt IFRS. The IASB has released an interim, optional standard on Regulatory Deferral Accounts and continues to work on a project focusing on accounting specific to rate-regulated activities. It is not yet known when the project will be completed or whether IFRS will, as a result, include a permanent, mandatory standard to be applied by entities with activities subject to rate regulation. In the absence of a permanent standard for rate-regulated activities, the application of IFRS could result in volatility in earnings and earnings per share as compared to that which would otherwise be recognized under U.S. GAAP.

Certain statements in this Annual Information Form, other than statements of historical fact, are forward-looking statements concerning anticipated future events, results, circumstances, performance or expectations with respect to the Company and its operations, including its strategy and financial performance and condition. Forward-looking statements include statements that are predictive in nature, depend upon future events or conditions, or include words such as "expects", "anticipates", "plans", "believes", "estimates", "intends", "targets", "projects", "forecasts", "schedule", or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could". Forward-looking statements are based on underlying assumptions and management's beliefs, estimates and opinions, and are subject to inherent risks and uncertainties surrounding future expectations generally that may cause actual results to vary from plans, targets and estimates. Some of the important risks and uncertainties that could affect forward-looking statements are described in this Annual Information Form in the section labeled "Business Risks" and include, but are not limited to, operational, general economic, market and business conditions, regulatory developments and weather. CUC cautions readers that actual results may vary significantly from those expected should certain risks or uncertainties materialize or should underlying assumptions prove incorrect. Forward-looking statements are provided for the purpose of providing information about management's current expectations and plans relating to the future. Readers are cautioned that such information may not be appropriate for other purposes. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Financial information is presented in United States dollars unless otherwise specified and references to "$" and "US$" are to United States dollars unless otherwise indicated. References to "Cdn. $" are to Canadian dollars and references to "CI$" are to Cayman Islands dollars. The closing rate of exchange, as reported by the Bank of Canada, for conversion of US dollars into Canadian dollars was Cdn. $1.2678 per US$1.00 on December 31, 2021. The official fixed exchange rate for conversion of CI$ into US$, as determined by the Cayman Islands Monetary Authority, has been fixed since April 1974 at US$1.20 per CI$1.00. Thus, the rate of exchange for conversion of Cayman Islands dollars into Canadian dollars was Cdn. $1.5214 per CI$1.00 on December 31, 2021.

1.0 CORPORATE STRUCTURE

Caribbean Utilities Company, Ltd. ("CUC" or the "Company") was incorporated under the Companies Law of the Cayman Islands and commenced operations on May 10, 1966. The Articles of Association of the Company (the "Articles") have been amended since incorporation to reflect subsequent infusions of capital, share consolidations and share splits, which have resulted in the existing capitalization, as well as revisions to the composition of, and mandatory retirement age for, the Board of Directors of the Company (the "Board"). CUC's head and registered offices are located at 457 North Sound Road, Grand Cayman, Cayman Islands. The mailing address of the Company is P.O. Box 38, Grand Cayman KY1-1101, Cayman Islands, and its website address is www.cuc-cayman.com.

The Company is the sole supplier of electricity on Grand Cayman with a total installed generating capacity of 161 MW, nine transformer substations, approximately 552 miles of land-based high-voltage transmission and distribution ("T&D") lines and 15 miles of high-voltage submarine cable. The Company uses diesel generation to produce electricity for Grand Cayman. The net book value of property, plant and equipment was $576.7 million as of December 31, 2021.

CUC, a vertically integrated utility, operates the only electric utility on Grand Cayman pursuant to a 20-year exclusive Electricity Transmission and Distribution Licence (the "T&D Licence") and a 25-year non-exclusive Electricity Generation Licence (the "Generation Licence" and, together with the T&D Licence, the "Licences") granted by the Cayman Islands Government ("Government") through the former Electricity Regulatory Authority ("ERA"), which is now known as the Utility Regulation and Competition Office ("OfReg"). The Licences were signed in April 2008 and November 2014 and expire in April 2028 and November 2039, respectively.

CUC has one wholly-owned subsidiary company, DataLink, Ltd. ("DataLink"). DataLink was incorporated under the Companies Law of the Cayman Islands and commenced operations with the granting of its Licence to provide fibre optic infrastructure and other information and communication technology ("ICT") services to the ICT industry (the "ICT Licence") on March 28, 2012, by the former Cayman Islands Information & Communication Technology Authority ("ICTA"), whose regulatory authority was also assumed by the OfReg. The term of the ICT License is 15 years, expiring on March 27, 2027. CUC and DataLink have entered into three regulator approved agreements:

- The Management and Maintenance agreement;
- The Pole Attachment agreement; and
- The Fibre Optic agreement.

Several existing infrastructure sharing agreements between CUC and other telecommunication providers have been novated to DataLink, as required by law.

2.0 GENERAL DEVELOPMENT OF THE BUSINESS

2.1 Three-Year History

Period-end information in this Annual Information Form is for the 12-month period ended December 31, 2021 ("Fiscal 2021" or "year ended December 31, 2021").

A summary of operating revenue, earnings and kilowatt-hour ("kWh") sales for the Company for Fiscal 2021, the 12-month period ended December 31, 2020 ("Fiscal 2020" or "year ended December 31, 2020") and the 12-month period ended December 31, 2019 ("Fiscal 2019" or "year ended December 31, 2019") appear below:

	Periods Ended		
	December 31, 2021	**December 31, 2020**	**December 31, 2019**
Operating Revenue (millions $)	198.5	177.5	203.2
Earnings (millions $)	30.3	26.1	29.1
Kilowatt-hour Sales (millions)	660.5	644.3	667.7

Operating revenues for Fiscal 2021 totalled $198.5 million, an increase of $21.0 million from $177.5 million for Fiscal 2020. This increase in operating revenues was due to higher fuel factor revenue and higher electricity sales revenues.

Net earnings for Fiscal 2021 were $30.3 million, a $4.2 million increase from net earnings of $26.1 million for Fiscal 2020. This increase is primarily attributable to higher operating income and lower finance charges.

The tourism sector is the second main pillar of the Cayman Islands economy. The Cayman Islands tourism demographic is largely comprised of visitors from the US. Due to the COVID pandemic, the tourism industry has been shut down since March 2020, however in 2019, 83.3% of air arrivals to the country were citizens of the US. As such, the US economy has a large impact on the Cayman Islands' economy.

Due to the COVID-19 pandemic, the Cayman Islands' ports have been mostly closed to tourism since March 2020. Air arrivals have a direct impact on the Company's sales growth, as such visitors are stay-over visitors who occupy hotels. Cruise arrivals have an indirect impact on the Company's sales growth, as such visitors affect the opening hours of the establishments operating for that market.

2.2 Outlook

In October 2021, the Company submitted its 2022-2026 CIP in the amount of $373.2 million to OfReg for approval, including $22.0 million in grid resiliency projects. OfReg approved the proposed 2022-2026 CIP in December 2021.

In October 2021, following a consultation process, OfReg announced the adoption of a new Renewable Energy Auction Scheme ("REAS") to solicit additional solar and wind power over the next decade.

Under the REAS, potential energy producers are anticipated to bid against each other to supply energy through long-term contracts at the lowest possible price. The programme, which will be managed by OfReg, is designed to enable the procurement of renewable energy at competitive prices while advancing the goals of the National Energy Policy ("NEP"') in-line with CUC's Integrated Resource Plan ("IRP"). The IRP projects 140 MW of utility-scale solar by the year 2030.

The REAS will be implemented during the first quarter of 2022 and the Company is preparing to participate in the bidding process.

As part of its COVID-19 Customer Relief Programme, the Company proposed to OfReg to defer the required June 1, 2020 rate increase until January 1, 2021. In August 2020, OfReg approved the Company's proposal. For the period from June 1, 2020 to December 31, 2020, the Company recorded the difference between billed revenues and revenues that would have been billed from the required rate increase as a Regulatory Asset amount due from customers. The amount recorded as a Regulatory Asset for the year ended December 31, 2020 was $3.5 million. The amount recorded will be recovered within two years from the effective date of the increase on January 1, 2021. During the year, $1.8 million was recovered from customers for the base rate increase deferral.

The Company was also granted approval by OfReg to recover various COVID-19 related expenses, including potential credit losses resulting from suspension of disconnections during March 2020 to June 2020. A total of $0.7 million was recorded as a regulatory asset and will be recovered through future rates from the effective date of January 1, 2021. During the year, $0.3 million was recovered from customers for COVID-19 related expenses.

3.0 DESCRIPTION OF THE BUSINESS

3.1 The Cayman Islands

The Cayman Islands are a United Kingdom ("UK") Overseas Territory comprised of three islands, Grand Cayman, Cayman Brac and Little Cayman, with an aggregate population of approximately 68,000. Located approximately 150 miles south of Cuba, 460 miles south of Miami and 167 miles northwest of Jamaica, the largest island is Grand Cayman with an area of 76 square miles. The UK retains authority for the Cayman Islands' defense, external affairs and internal security. The Cayman Islands is a parliamentary democracy with judicial, executive and legislative branches. The Cayman Islands legislature consists of a Speaker of the House, 18 elected members and the

Deputy Governor and the Attorney General (who are ex officio members). The Cabinet consists of seven Ministers (including the Premier) appointed by the Governor from among the elected members of Parliament and the Deputy Governor and the Attorney General (who are ex officio members). The Premier is appointed by the Governor on the recommendation of the elected members of the majority party in Parliament. The remaining six Ministers are appointed by the Governor in accordance with the advice of the Premier.

Grand Cayman enjoys one of the highest standards of living in the Caribbean.

3.2 Regulation

In 2016, the Government passed legislation designed to facilitate the reform of the regulatory arrangements for the utilities sector. The objective of the legislation was to establish a multi-sector regulator known as the OfReg by merging the operations of the ICTA and the ERA and which would also regulate the provision of water and waste water services and fuel markets. The Cayman Islands Utility Regulation and Competition Office Law that established the OfReg came into effect on January 16, 2017, and transferred the powers, functions and responsibilities of the ICTA and the ERA to the OfReg. This merger did not impact the terms and conditions of the Licences.

The OfReg has overall responsibility for regulating the electricity industry in the Cayman Islands in accordance with the Electricity Regulatory Authority Law. The OfReg oversees all licencees, establishes and enforces licence standards, enforces applicable environmental and performance standards, reviews and approves the proposed rate cap and adjustment mechanism ("RCAM") to ensure compliance under the Licenses, and sets the rate adjustment factors as appropriate. The OfReg also annually reviews and approves CUC's CIP. The terms of the CIP include allowance for competition for future generating capacity and general promotion of the use of renewable sources of energy.

The Licences set out a return-on-rate base ("RORB") formula, with a RCAM based on published consumer price indices. Rate base is the value of capital upon which the Company is permitted an opportunity to earn a return. The value of this capital is the average of the beginning and ending values for the applicable financial year of: fixed assets less accumulated depreciation, *plus* the allowance for working capital, *plus* regulatory assets less regulatory liabilities. Rates are subject to an annual review and adjustment each June through the RCAM. A price cap mechanism is used to adjust the base rates in accordance with a formula that takes into account inflation and CUC's RORB. CUC's annual target range for return on rate base set out in the RORB is, pursuant to the RORB formula, adjusted annually based on movements in the average yield of the 10-year US Treasury Notes. CUC's RORB for 2020 was 6.6%. CUC's RORB for 2021 was targeted in the 6.00% to 8.00% range.

CUC's base rates are designed to recover all non-fuel and non-regulatory costs and include per kWh electricity charges and fixed facilities charges. Fuel cost charges, renewables cost charges, and regulatory fees are billed as separate line items. A licence fee of $2.9 million and a regulatory fee of $1.4 million annually are payable on a quarterly basis to the Cayman Islands Government. Both fees apply only to customer billings with consumption over 1,000 kWh per month as a pass-through charge rate of $0.0149 per kWh.

The Company is exempt for the full term of the Licences from all Cayman Islands taxes other than import duties as specified in the Licences and is able to transfer funds free from any exchange controls under the terms of the Licences. There is no income or withholding tax applicable to holders of the Company's shares under the existing laws of the Cayman Islands.

All imported assets (except diesel fuel) attract import duty at a current rate of 15% under the terms of the Licences. The rate of import duty on diesel fuel is set by Government from time to time. Effective January 1, 2016, the import duty rate on diesel fuel oil was reduced from CI$0.50 ($0.60) per Imperial Gallon ("IG") to CI$0.25 ($0.30) per IG.

In the event of a natural disaster as defined in the T&D Licence, the actual increase in base rates will be capped for the year at 60% of the change in the price level index and the difference between the calculated rate increase and the actual increase, expressed as a percentage, shall be carried over and applied in addition to the normal RCAM adjustment in either of the two following years if CUC's RORB is below the target range. In the event of a disaster, the Company would also write-off destroyed assets over the remaining life of the asset that existed at the time of destruction. Z Factor rate changes will be instituted for insurance deductibles and other extraordinary expenses. The Z Factor is the amount, expressed in a charge per kWh, approved by the OfReg to recover the costs of items deemed to be outside of the constraints of the RCAM in the event of a natural disaster.

The OfReg assesses CUC's performance against the performance standard expectations set out in the ERA (Standard of Performance) Rules 2012. Performance standards provide a balanced framework of potential penalties or rewards compared to historical performance in the areas of planning, reliability, operating and overall performance. Standards include "zones of acceptability" where no penalties or rewards would apply.

The OfReg now has the overall responsibility for regulating the ICT industry in the Cayman Islands in accordance with the Information and Communication Technology Authority Law (2011 Revision) (the "ICT Law"). DataLink is subject to regulation by the OfReg in accordance with the terms and conditions of its ICT Licence.

3.3 Market

The following tables present customers, sales and operating revenues by segment for Fiscal 2021 and Fiscal 2020. The information presented does not include customers, sales and operating revenues related to DataLink as they are not considered to be material for the Company:

Customers (#)	Dec-2021	Dec-2020	Change %
Residential	27,552	26,754	3%
Commercial	4,633	4,539	2%
Total Customers	**32,185**	**31,293**	**3%**

Sales (thousands kWh)	Dec-2021	Dec-2020	Change %
Residential	361,605	356,590	1%
Commercial	293,845	282,533	4%
Other (street lighting, etc.)	5,019	5,194	-3%
Total Sales	**660,469**	**644,317**	

Operating Revenues (thousands $)	Dec-2021	Dec-2020	Change %
Residential	52,169	50,189	4%
Commercial	44,536	41,714	7%
Other (street lighting, etc.)	815	857	-5%
Fuel Factor	95,208	79,658	20%
Renewables Revenues	5,750	5,032	14%
Total Operating Revenues	**198,478**	**177,450**	**12%**

Fuel factor revenues increased due to an increase in global oil prices. The average fuel cost charge rate per kWh charged to consumers for the year ended December 31, 2021 was $0.15 compared to the fuel cost charge rate of $0.13 per kWh for the year ended December 31, 2020. CUC passes through 100% of fuel, lubricating oil and renewables costs, including import duties, to consumers on a two-month lag basis without mark-up. In Fiscal 2021, sales from streetlights were 5.0 million kWh, a decrease of 0.2 million kWh or -4% when compared to 5.2 million kWh for Fiscal 2020. While the kWh sales from streetlights decreased the revenue earned has stayed consistent. In Fiscal 2021, the Company earned $0.8 million in streetlight revenue, comparable to $0.9 million for Fiscal 2020.

The Company started to record renewables revenues in September 2017. The renewables revenues are a combination of charges from the Customer Owned Renewable Energy ("CORE") programme, DER programme and BMR Energy Limited, which are passed-through to consumers on a two-month lag basis with no mark-up.

The demand for electricity on Grand Cayman is generally higher in the summer months, when the air conditioning load is the greatest. Peaks in load occasionally occur at other times during the year when new major customers are connected. The Fiscal 2021 peak load was 111.2 MW compared with the Fiscal 2020 peak load of 108.6 MW. The variance in the peak load when comparing Fiscal 2021 and Fiscal 2020 is attributable to factors including economic activity and weather conditions.

3.4 Transmission and Distribution System

The Company's T&D system is comprised of one transmission substation and eight distribution substations, approximately 444 circuit miles of overhead T&D powerlines (high-voltage 69 kiloVolt and 13 kiloVolt), 108 circuit miles of underground T&D powerlines (high-voltage 69 kiloVolt and 13 kiloVolt) and 15 circuit miles of high-voltage submarine transmission cable in Grand Cayman. The T&D powerlines and substations are designed for various categories of hurricane wind loading and flooding conditions that typically accompany hurricanes. The T&D assets have an original cost of $488.8 million and a net book value of $306.5 million as of December 31, 2021.

3.5 Generating Capacity and Capital Expenditures

CUC understands that reliability of service is critical to Grand Cayman's continued growth and development. CUC's installed generating capacity on December 31, 2021 was 161 MW, which has remained unchanged from installed generating capacity since December 31, 2017.

The Company is reliant on diesel generation units, one waste heat recovery steam turbine, and related long lasting equipment to meet customer demand. Accordingly, to ensure the continued performance of the physical assets and reliable customer service, the Company determines expenditures that must be made to maintain and replace the assets in accordance with manufacturer's specifications as well as industry standards.

The Company bases its generation expansion planning primarily on historical growth trends and planned major commercial developments. Furthermore, limits prescribed under its exclusive T&D Licence dictate reserve generating capacity, consisting of a minimum of 35% and a maximum of 55% of projected demand, that the Company must maintain to ensure a reliable supply of electricity after allowance for breakdowns and scheduled maintenance. Under the T&D Licence, CUC must submit a Certificate of Need ("CON") to the OfReg documenting the size and timing of future generation requirements for firm capacity, which shall be subject to competitive solicitation. The CON shall take into account projected growth in electric peak load, availability of existing capacity, including retirement of existing generation units, projected reserve requirements and safety and environmental requirements.

The Company continues to facilitate the connecting of renewable energy sources to the grid. As an incentive to adopt renewable energy, with the OfReg's approval, the Company provides a CORE programme. The CORE programme's rates are set depending on the kW AC size of the installation and must be in accordance with the following approved feed-in tariff rates: 0-5 kW – CI$0.175 per kWh, 5-10 kW – CI$0.15 per kWh, for smaller residential and commercial systems and 20-100 kW – CI$0.21 per kWh, for larger public sector customers. The programme is cost-neutral to CUC. CUC must maintain sufficient reserve generation capacity and T&D infrastructure to provide reliable back up service to CORE programme customers who will remain connected to the T&D grid. CORE generation is not expected to offset significant additional capacity requirements in the near term, is considered non-firm supply and is subject to a total limitation on installed participating capacity.

In addition to the CORE programme, the Company, with the approval of the OfReg, provides an alternative interconnection agreement to customers desirous of installing renewable energy systems. In January 2018, the Company launched the Distributed Energy Resources ("DER") programme. Under this interconnection arrangement, customers may self-consume electricity generated by their renewable energy system, thereby avoiding charges for electricity consumed from the grid. Energy produced by the customer in excess of their self-consumed and exported to the grid is purchased by CUC at the avoided cost of generation. Drawing on the lessons of early net-metering interconnection arrangements, DER customers are subject to a demand rates billing structure in alignment with the fixed costs of providing a grid interconnection and standby provision, thereby avoiding potential cross-subsidization between DER and non-producing customers.

The DER programme was initially issued with a capacity allocation of 3 MW. The subsequent approval by the OfReg of CUC's business case to install 20 MW of battery storage for spinning reserve optimization will allow an additional 12 MW of capacity to be issued and raise the total capacity in the DER programme to 15 MW upon completion of the battery storage programme. As at the end of the December 2021, there were eight DER programme customers with a total installed capacity of 1,034 kW.

Both programmes are reviewed from time-to-time and, in September 2021, CUC and OfReg agreed to add an additional 3 MW of capacity to be shared between both the CORE and DER programme. The 3 MW is early adoption of the recognised 12 MW of capacity which will be enabled by the by the battery storage project. As at the conclusion of 2021, 2.8 MW private sector applications had been received for the additional 3MW allocated to the CORE and DER programmes. From the 1MW dedicated to the public sector only 200kW remained. As of December 31, 2021, there were 673 CORE programme and DER programme customers with a total installed capacity of 8,701.13 kW.

The Company anticipates the connection to the grid of additional substantial renewable energy sources following the finalization of the Renewable Energy Auction Scheme ("REAS") by the OfReg.

Net generation of 662.0 million kWh for the year ended December 31, 2021 increased 12.7 million kWh, or 2%, from Net Generation of 651.5 million kWh for the year ended December 31, 2020. The Net Generation is energy generated from CUC's firm generation facilities and excludes the Bodden Town Solar 1 Limited Utility Scale Solar farm and the CORE & DER energy. The generation produced from renewable sources for the year ended December 31, 2021 amounted to 21.3 million kWh, comparable to 18.8 million kWh for the year ended December 31, 2020.

Capital expenditures, net of contribution in aid of construction, for the 12 months ended December 31, 2021 were $60.2 million, a $6.8 million, or 13%, increase from $53.4 million for the 12 months ended December 31, 2020.

In October 2021, the Company submitted its 2022-2026 CIP in the amount of $373.2 million to OfReg for approval, including $22.0 million in grid resiliency projects. OfReg approved the proposed 2022-2026 CIP in December 2021. The 2021-2025 CIP in the amount of $313.0 million was approved in February 2021.

CUC expects to finance capital investment with a combination of equity, long-term and short-term debt and funds from operations.

3.6 Fuel and Lubricating Oil Supply

CUC relies exclusively upon diesel generation to produce electricity for Grand Cayman. Grand Cayman has neither hydroelectric potential nor inherent thermal resources, and CUC must rely upon diesel fuel imported to Grand Cayman primarily from refineries in the Caribbean and the Gulf of Mexico. The fuel is purchased from the Company's two fuel suppliers, RUBiS Cayman Islands Limited ("RUBiS") and Sol Petroleum Cayman Limited ("Sol"), and transported via pipeline from the suppliers' coastal terminals to CUC's centralized generating plant located in the capital of George Town.

Under an agreement with RUBiS, the Company is committed to purchase approximately 60% of its diesel fuel requirements for its generating plant from RUBiS. The Company also has a secondary fuel supply contract with Sol and is committed to purchase approximately 40% of the Company's fuel requirements for its generating plant from Sol. In June 2018, the Company entered into new fuel supply contracts with each of RUBiS and Sol with a term of 24 months, with the option to renew for two additional terms of 18 months. In December, 2021, the company entered into the renewal of both fuel contracts for an additional 18 months ending May 31, 2023.

CUC also has a five year contract, which was due to terminate on April 2021, for the supply of lubricating oil with Automotive Art Limited ("Automotive Art"), the Chevron authorized distributor of lubricants in the Cayman Islands, which was selected pursuant to an open bid process to select a supplier to ensure continued supply at the most competitive rate. The contract was extended until April 30, 2022.

These contracts enable the Company to purchase fuel and lubricating oil from suppliers on what the Company believes to be competitive terms and pricing. Both fuel and lubricating oil contracts include disaster recovery and business continuity plans in the event of disruptions to supplies to reduce the impact on the Company's operations.

3.7 Properties

The Company's generating plant, two of its nine transformer substations, office building, hurricane centre, warehouse, fuel tanks and garage are all located on approximately 44.3 acres of land owned by the Company and located on North Sound Road, Grand Cayman. The Company owns seven additional transformer substation sites, located on approximately seven acres of land on Grand Cayman.

3.8 Employees

As of December 31, 2021, CUC had 232 employees, approximately 85% of whom are Caymanian. The Company's work force is non-unionized, and management believes that employee relations are good.

CUC has developed strong specialized skills and knowledge base among its work force with a particular emphasis on engineering technical expertise, which has been achieved through the Company's comprehensive training, employee development and scholarship programme. CUC focuses on hiring and promoting Caymanian employees while attracting overseas experience and knowledge as necessary. In 2021, CUC continued to expand its commitment to a respectful and inclusive work place by renewing the local Gender Equality Cayman Pledge. The Company also remained involved with the Fortis Inc. Diversity and Inclusion initiatives. CUC continues to attract females to join its workforce and has seen an increase in the number of females who have joined the Company in technical roles. Overall, approximately 20% of the workforce is female.

CUC participates in the Investors In People ("IIP") programme, a continuous business improvement framework and international quality standard. CUC has maintained the IIP standard certification since 2006, was awarded gold level accreditation in July 2017 and on reassessment in 2021, the Company was again awarded the gold level accreditation. The achievement of the IIP gold level accreditation demonstrates strong leadership, a compelling vision, and a culture of improvement in order to achieve higher performance.

Approximately 63% of employees are currently shareholders in the Company. An Employee Share Purchase Plan exists to encourage employee ownership of Class A Ordinary Shares of the Company (the "Class A Ordinary Shares").

3.9 Insurance

The Company has property, machinery breakdown and business interruption ("BI") insurance on its generation assets, property and substations. Terms and coverages include a maximum limit per single occurrence of $100.0 million. BI insurance includes all gross profits up to a 24-month indemnity period with a 45-day deductible waiting period for Named Windstorm, Earthquake and Flood (as defined in the BI insurance agreement) and 60 days otherwise. All T&D assets outside of 1,000 feet from the boundaries of the main power plant and substations are excluded, as the cost of such coverage is not considered economical. Each "loss occurrence" is subject to a deductible of $1.0 million, except for windstorm (including hurricane) and earth movement for which the deductible is 2% of the value of each location that suffers loss, but subject to a minimum deductible of $1.0 million and maximum deductible of $4.0 million for all interests combined. The Company maintains insurance coverage to cover weather risks that management of the Company believes is appropriate and consistent with insurance policies obtained by similar companies.

In addition to the coverage discussed above, the Company has also purchased additional coverage with a $150.0 million limit for property and business interruption (excluding windstorm, earth movement and flood). Other insurance coverage includes, but is not limited to; business interruption which covers losses resulting from the necessary interruption of business caused by direct physical loss or damage to CUC's covered property, and loss of revenues resulting from damage to customers' property.

There can be no assurances that CUC will be able to obtain or maintain insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential liability claims could prevent or inhibit the business of the Company.

3.10 Environmental Matters

CUC's operations are subject to local environmental protection laws concerning emissions to the air, discharges to surface and subsurface waters, land use activities and the handling, storage, process, use, emission and disposal of materials and waste products.

Environmental Management System

Since 2004, CUC's North Sound Road facility has been registered to the International Organization for Standardization ("ISO") 14001 Environmental Management System ("EMS") standard. In March 2018, the Company successfully passed the transition audit from the ISO 14001:2004 to the ISO 14001:2015 standard. ISO 14001 is an internationally recognized environmental standard developed by the ISO and confirmed to the Company by QMI-SAI Global, a globally recognized and accredited third party registrar. Registration to the standard requires regular reviews of the EMS and protocols, compliance to local legislation, regular establishment and reviews of environmental objectives, and continual performance improvement. During the 2021 recertification external audit of the EMS only one minor nonconformance was found and the system has been recertified by QMI-SAI Global.

The Company manages several environmental initiatives through the EMS. During 2021, EMS activities included: (i) the ongoing segregation of scrap metals consisting mainly of aluminum conductor and damaged transformers for recycling overseas, (ii) recycling used oil and batteries, (iii) ongoing emergency preparedness planning, (iv) continuous employee, contractor and public education programmes, (v) stringent environmental and structural design standards, and (vi) air quality, process water cooling, fuel and lubricating oil monitoring and control operating standards.

In addition to the above the Company also works to improve its general waste management by minimizing waste outputs through increased recycling. In 2017, the Company introduced recycling of office plastics and glass, in addition to aluminum. Cardboard recycling was then introduced in 2018 and office paper in late 2019. As of December 31, 2021, over 130,000 lbs. of these products have been diverted from the local landfill since the project commenced.

The Company complies in all material respects with all Cayman Islands planning and environmental regulations and the financial and operational effects on capital expenditures is negligible. Although environmental regulations in the Cayman Islands are less onerous than those in North America, the Company acts responsibly in environmental matters and in compliance with all material aspects of the environmental regulations of the Cayman Islands.

None of the existing transformers used in the T&D system use polychlorinated biphenyls. An underground fuel pipeline eliminates the need for trucking fuel to the Company's generating plant and reduces the potential damage to Grand Cayman's coral reefs and beaches from a fuel oil spill. CUC is responsible for the piping of the fuel from the vendors' distribution terminals on the coast of Grand Cayman to the day tank holding facilities at the Company's generating plant. The Company continues to burn ultra-low sulfur diesel fuel oil that results in significantly lower levels of exhaust emissions than that produced through the burning of heavy fuel oil. Existing diesel generating units used have undergone significant changes and improvements to ensure that they provide electricity in the most efficient manner. New generating units are designed to provide an increased kilowatt-hour ("kWh") output per gallon of fuel consumed than older generators. This improved efficiency reduces the impact on local air quality and reduces fuel costs borne by CUC and its customers. CUC has also installed higher exhaust stacks on its new generating units to further improve the local air quality in accordance with best industry practice. The Company is also evaluating long-term options for producing electricity from sustainable sources to reduce its dependence on fossil fuels and its associated environmental impacts.

During 2018, CUC initiated a project to replace all High Pressure Sodium ("HPS") streetlights on Grand Cayman with Light Emitting Diode ("LED") lights. As at the end of 2021, 7,364 LED lights had been replaced from a total of 9,000 LEDs to be installed across Grand Cayman over a five-year period. The project is expected to result in numerous benefits for the Company and the community through increased energy efficiency and a longer lifespan compared to HPS lighting. The reduction in energy used by the LED fixtures for the total project is projected at 3.78 gigawatt hours per year, correlating to a reduction in consumption of 195,000 imperial gallons of diesel and a reduction of approximately 5.2 million pounds of CO2 emissions.

During 2018, CUC also initiated a Turtle Friendly Street Light pilot project, jointly with the Department of Environment ("DoE") and the National Roads Authority ("NRA"). The pilot project facilitates the installation of turtle friendly LED lighting along ecologically sensitive areas of Grand Cayman's coastline. These specially designed light fixtures reduce misorientation events with hatching turtles supporting efforts to increase the survival rates of endangered species. At the end of 2019, CUC had assisted with the installation of 33 turtle friendly lighting fixtures. In 2020, the DoE identified two critical nesting areas in which four additional streetlights were replaced with turtle friendly lights. A report released by the DoE in 2021 indicated that the turtle friendly lights reduced the amount of misorientation events that occurred. CUC will continue working with the DoE and NRA to install additional turtle friendly lights in areas identified as concern.

Increasing Renewable Energy and Reducing Greenhouse Gas

In March 2007, the UK's ratification of the United Nations Framework Convention on Climate Change ("UNFCCC") and its Kyoto Protocol were extended to the Cayman Islands Government. This framework aims to reduce greenhouse gas ("GHG") emissions produced by certain industries. As an overseas territory, the Cayman Islands are required to give available national statistics on an annual basis to the UK which are expected to be added to its inventory and reported to the UNFCCC Secretariat. Under the UNFCCC, governments are obligated to gather and report information on GHG emissions through the preparation of a national greenhouse gas inventory. The inventory primarily requires each participating country to quantify as best as possible its fuel consumption across a variety of sectors, production processes and distribution means. On an annual basis CUC supplies the Government with this data in respect of the Company's diesel fuel consumption.

The Company's efforts to reduce GHGs, to reduce losses in transmission, distribution and station losses also improve energy efficiencies. The Company continues to promote its Energy Smart programme with the objective of educating its customers about energy efficiency and conservation at home and in the workplace. The Company is working with the Government and the OfReg to increase the amount of power generation from renewable sources through various means including the CORE programme. See Section 3.5 "Generating Capacity and Capital Expenditures".

A committee to establish a National Energy Policy ("NEP") was appointed by the Government in 2010. The goal of the policy is to ensure security, reliability and affordability of energy supplies in the Cayman Islands, as well as to reduce the Cayman Islands' carbon footprint and diversify power sources. Cabinet approved the 2017-2037 NEP on February 21, 2017. The report details high-level targets, which include adoption of Paris Accord CO2 reduction targets, encouragement of energy efficiency in buildings and promotion on electric vehicles. Additionally, the NEP targets 70% of total electrical energy to come from renewable sources by 2037. To achieve the targets of the NEP significant investments in new infrastructure in a phased in approach will be required. The Company sees these investments as an opportunity to expand services and business in Grand Cayman. It is not expected that any of the existing infrastructure will be made redundant as changes will occur as existing older assets retire as originally planned. The recommendations of the IRP are closely aligned with the NEP targets.

4.0 BUSINESS RISKS

The following is a summary of the Company's significant business risks. A complete list of the business risks to which CUC is subject is presented in the section "Business Risks" of CUC's management's discussion and analysis for the year ended December 31, 2021 ("MD&A"), which is incorporated by reference herein, and is available on SEDAR at www.sedar.com.

Operational Risks

Operational risks are those risks normally inherent in the operation of generation, transmission and distribution facilities. The Company's facilities are subject to the risk of equipment failure due to deterioration of the asset from use or age, latent defects and design or operator error, among other things. These risks could lead to longer-than-forecast equipment downtimes for maintenance and repair, disruptions of power generation, customer service interruptions, or could result in injury to employees and the public. Accordingly, to ensure the continued performance of the physical assets, the Company determines expenditures that must be made to maintain and replace the assets. Electricity systems require ongoing maintenance, improvement and replacement. Service disruption, other effects and liability caused by the failure to properly implement or complete approved maintenance and capital expenditures, or the occurrence of significant unforeseen equipment failures, despite maintenance programmes, could have a material adverse effect.

The operation of transmission and distribution assets is subject to risks, including the potential to cause fires, mainly as a result of equipment failure, falling trees and lightning strikes to lines or equipment.

Economic Conditions

As with most utility companies, the general economic condition of CUC's service area, Grand Cayman, influences electricity sales. Changes in consumer demographic, income, employment and housing are all factors in the amount of sales generated. As the Company supplies electricity to all hotels and large properties, its sales are therefore partially based on tourism and related industry fluctuations. World economic conditions, particularly those in North America, directly impact Grand Cayman's tourism industry, as 83.3% of the island's stay-over visitors arrive from the US annually, which affects electricity sales.

Regulation

The Company operates within a regulated environment and the operations of the Company are subject to the normal uncertainties faced by regulated companies. Such uncertainties include approval by the OfReg of adjustments to billing rates that allow a reasonable opportunity to recover on a timely basis the estimated costs of providing services, including a fair return on rate base assets, and the assessment of penalties against the Company for not meeting regulatory performance standards. There is no assurance that capital projects perceived as required by management of the Company will be approved by the OfReg. In addition, while in the event of a large uninsurable loss, the Company would apply to the OfReg for recovery of these costs through higher rates, there is no assurance that the OfReg would approve such application.

Environmental Matters

CUC's operations are subject to local environmental laws concerning air emissions, discharges to surface and subsurface waters, land use activities, and the handling, storage, processing, use, emission and disposal of materials and waste products.

As discussed above, through the EMS, CUC has determined that its exposure to environmental risks is not significant and does not have an impact on its financial reporting, including the recording of any asset retirement obligations.

Weather & Natural Disasters

CUC's facilities are subject to the effects of severe weather conditions, principally during the hurricane season months of June through November. In addition, the Cayman Islands lie close to the boundary zone of the Caribbean and North American tectonic plates. This transform boundary, where the plates slide past each other, is known to generate earthquakes from time to time. Despite preparations for natural disasters such as hurricanes and earthquakes, adverse conditions will always remain a risk. This risk is partially mitigated by the Company's comprehensive insurance policies, which management of the Company believes is appropriate and consistent with insurance policies obtained by similar companies.

During severe weather or other natural disasters, generation equipment, facilities and T & D assets are subject to risks. These risks include equipment breakdown and flood damage, which may result in the interruption of fuel supply, lower-than-expected operational efficiency or performance, and service disruption. There is no assurance that generation equipment, facilities and T & D assets will continuously operate in accordance with expectations in these situations.

Climate Change

Climate change is predicted to lead to more frequent and intense weather events, changing air temperatures, and regulatory responses, each of which could have a material adverse effect. Increased frequency of extreme weather events could increase the cost of providing service. Extreme weather conditions in general require system backup and can contribute to increased system stress, including service interruptions. Longer-term climate change impacts, such as sustained higher temperatures, higher sea levels and larger storm surges, could result in service disruption, repair and replacement costs, and costs associated with strengthened design standards and systems, each of which could have a material adverse effect if not resolved in a timely and effective manner.

Electricity systems are designed to service customers under various contingencies in accordance with good utility practice. The Company is responsible for operating and maintaining its assets in a safe manner, including the development and application of appropriate standards, system processes and/or procedures to ensure the safety of employees, contractors and the general public. The impacts of climate change may disrupt the ability of the Company to safely provide service, which could cause reputational harm and other impacts with a material adverse effect.

Global Pandemic

The development and rapid evolution of the COVID-19 pandemic has illustrated the risk to global economies, including that of the Cayman Islands, with the closure of businesses, schools, hotels, restaurants, seaports and airports. Steps warranted to protect the health and safety of employees, customers and communities, including actions based on guidance from the Cayman Islands Government and the relevant health authorities inevitably influence the economic conditions in the service area of the Company and impact electricity sales. The evolution of a pandemic increases uncertainty with regard to operational and financial performance of the Company that may result in material adverse effects and affect the Company's ability to execute business strategies and initiatives within expected time frames. Potential key impact areas could include revenue, capital expenditures, liquidity, and regulatory matters.

5.0 GENERAL DESCRIPTION OF CAPITAL STRUCTURE

5.1 Share Capital

The authorized share capital of the Company consists of CI$3,562,520 divided into:

a) 60,000,000 Class A Ordinary Shares of nominal or par value of CI$0.05 each, 37,369,478 of which were issued and outstanding as of December 31, 2021 and each of which is entitled as such to one vote on each matter at any general meeting of shareholders of the Company. The holders of Class A Ordinary Shares are entitled to dividends after payment of all dividends to which the holders of the Class B Preference Shares (as defined below), Class C Preference Shares and the Class D Preference Share (as defined below) (together, the "Preference Shares") are entitled, including any arrears of dividends, in proportion to the amounts paid up on the Class A Ordinary Shares held by them, provided that, in the event that the dividend payable to the holders of Class A Ordinary Share in any year exceeds \$0.18 (CI\$0.15**)** per share, the Company shall pay an amount equivalent to such excess multiplied by four to the holders of each Class B and Class D Preference Share contemporaneously with such payment. The Class A Ordinary Shares may be issued by the Company for an issue price to be determined by the Company from time to time;

b) 250,000 9% Class B Cumulative Participating Preference Shares ("Class B Preference Shares") of nominal or par value of \$1.00 (CI\$0.84) each, 249,500 of which were issued and outstanding as of December 31, 2021. The Class B Preference Shares entitle the holders thereof to a fixed cumulative preferential dividend at the rate of 9% per annum as well as the participating dividend noted above.

   The Class B Preference Shares do not carry the right to vote except (i) in the event the Company is in arrears in the payment of dividends on the Class B Preference Shares, or (ii) as otherwise prescribed by the Articles. Class B Preference Shares may be issued at any time and from time to time by the Company in one or more series. In the event the Company fails to pay dividends, the holders of Class B Preference Shares and the Class D Preference Share shall have four votes for each such share held by them at any general meeting of shareholders of the Company. In the event that holders of Class C Preference Shares become entitled to vote for the election of a director, the holders of Class B Preference Shares, acting together with holders of the Class C Preference Shares, will be entitled to elect one director on the basis of one vote for each Class B Preference Share held.

   Subject to the Companies Law of the Cayman Islands, Class B Preference Shares are redeemable at the sole option of the Company at any time upon receipt by the Company of a written request to redeem such shares from the holder of the Class B Preference Shares to be redeemed at such price (not exceeding \$20.00 per share) as may be negotiated between the Company and the holders;

c) 419,666 Class C Preference Shares of nominal or par value of \$1.00 (CI\$0.84) each, all of which have been issued and subsequently redeemed but still form part of the authorized capital of the Company. Class C Preference Shares may be issued at any time and from time to time by the Company in one or more series.

   Subject to the Articles and the Companies Law of the Cayman Islands, the Board may fix the number of Class C Preference Shares in each series and the designation, rights, privileges, restrictions and conditions attached to the Class C Preference Shares in each series, including without any limitation any voting rights, any right to receive dividends, any terms and conditions of redemption or purchase, any conversion rights and any rights on liquidation, dissolution or winding up of the Company.

In the event that holders of Class B Preference Shares become entitled to vote for the election of a director, the holders of Class C Preference Shares acting together with the holders of Class B Preference Shares will be entitled to elect one director on the basis of five votes for each Class C Preference Share held; and

d) One unissued Class D Cumulative Participating Preference Share (the "Class D Preference Share") of nominal or par value of $0.67 (CI$0.56) which may at any time be issued by the Company. The Class D Preference Share entitles the holder thereof to a fixed cumulative preferential dividend at a rate to be determined in the sole discretion of the Board. The Class D Preference Share does not carry the right to vote except (i) in the event the Company is in arrears in the payment of dividends, or (ii) as otherwise prescribed in the Articles.

The holders of the Class B Preference Shares and the Class D Preference Share are entitled to notice of, and to be present at, any general meeting of the Company but have no right to speak at or vote at such meeting, except as discussed above.

On a return of assets on liquidation or otherwise, holders of the Preference Shares will be paid the amount of the par value and premium of each share together with any accrued and unpaid dividends to the date of payment on such share in preference to such payments to be made to the holders of Class A Ordinary Shares and on parity with payments to be made to the other holders of the Preference Shares.

In the event that any of the Preference Shares or the Class A Ordinary Shares are subdivided, consolidated or changed into a greater or lesser number of shares, an appropriate adjustment will be made in the rights and conditions attached to the other Preference Shares so as to maintain the relative rights of the holders of such shares.

Subject to the restrictions prescribed by the Articles and in the Companies Law of the Cayman Islands, the Company may fix, before the issue thereof, the designation, rights, privileges, restrictions and conditions attaching to the Class B Preference Shares and the Class D Preference Share.

5.2 Debt

CUC's principal activity as the sole provider of electricity to Grand Cayman requires the Company to have ongoing access to capital to build and maintain the electricity system for the community it serves.

Senior Unsecured Loan Notes Outstanding ($ thousands)

The following table shows all outstanding senior unsecured loan notes (the "Notes") and the amounts outstanding thereunder.

Description	December 31, 2021	December 31, 2020
5.65% Senior Unsecured Loan Notes due 2022	4,000	8,000
7.50% Senior Unsecured Loan Notes due 2024	17,144	22,857
4.85% Senior Unsecured Loan Notes due 2026	10,714	12,857
3.34% Senior Unsecured Loan Notes due 2028	10,000	10,000
3.65% Senior Unsecured Loan Notes due 2029	30,000	30,000
5.10% Senior Unsecured Loan Notes due 2031	22,727	25,000
3.90% Senior Unsecured Loan Notes due 2031	40,000	40,000
3.54% Senior Unsecured Loan Notes due 2033	40,000	40,000
3.85% Senior Unsecured Loan Notes due 2034	5,000	5,000
3.83% Senior Unsecured Loan Notes due 2039	20,000	20,000
4.53% Senior Unsecured Loan Notes due 2046	15,000	15,000
4.64% Senior Unsecured Loan Notes due 2048	20,000	20,000
4.14% Senior Unsecured Loan Notes due 2049	40,000	40,000
4.14% Senior Unsecured Loan Notes due 2049	20,000	20,000
	294,585	**308,714**
Less: Current portion of long-term debt	(15,558)	(14,130)
	279,027	294,584

Required long-term debt repayments on the Notes per fiscal year are as follows:

Year	$
2022	15,558
2023	19,482
2024	19,935
2025	19,935
2026	19,935
2027 and later	199,740
Total	**294,585**

All long-term debt is denominated in United States dollars.

Certain of the Company's long-term debt obligations have covenants restricting the issuance of additional debt such that consolidated debt cannot exceed 65% of the Company's consolidated capital structure. As at December 31, 2021, the Company was in compliance with all debt covenants.

To help ensure access to capital, the Company targets a long-term capital structure containing approximately 45% equity, including preference shares, and 55% debt. The Company's objective is to maintain investment-grade credit ratings.

The Company sets the amount of capital in proportion to risk. The debt to equity ratio is managed through various methods including the Company's share purchase plans.

The Company's capital structure as of December 31, 2021 compared to December 31, 2020 is shown in the table below:

	December 31, 2021 (millions $)	**%**	**December 31, 2020 (millions $)**	**%**
Total Debt	293.3	50	307.3	51
Shareholders' Equity	297.9	50	289.5	49
Total	**591.2**	**100**	**596.8**	**100**

The Company repaid $5.7 million in current portion of long-term debt in May 2021 and $8.4 million in current portion of long-term debt in June 2021.

The Company currently has $70 million of unsecured credit facilities with Scotiabank & Trust (Cayman) Limited ("Scotia") and the Royal Bank of Canada ("RBC") comprised of:

Description	**Thousands $**
Provided by Scotia:	
Capital Expenditures Line of Credit	51,000
Operating Line of Credit	10,000
Catastrophe Standby Loan	7,500
Letters of Credit	1,000
Total	69,500
Provided by RBC:	
Corporate Credit Card Line	500
Total	**70,000**

As of December 31, 2021, $69.5 million of the above credit facilities were available ($69.0 million at December 31, 2020). Management constantly reviews its level of credit facilities based on liquidity needs.

6.0 DIVIDEND POLICY

Class A Ordinary Share dividends are normally paid, at the discretion of the Board, in March, June, September and December. The most recent Class A Ordinary Share dividend was paid in December 2021 at the rate of $0.175 per share. Dividends have been paid on the Class A Ordinary

Shares each quarter since 1984 with the exception of December 2004, when the Board elected not to declare a dividend in consideration of the impact of Hurricane Ivan on the cash flow of the Company. Regular quarterly dividend payments on the Class A Ordinary Shares resumed in March 2005.

Holders of the Class A Ordinary Shares are entitled to dividends if, as and when declared by the Board, whereas holders of the Class B Preference Shares are entitled to receive fixed annual dividends at a rate of $1.80 per share. Regular dividends on the Class B Preference Shares are normally paid in January, April, July and October of each year. Regular dividends have been paid at the prescribed rate on all outstanding preference shares of the Company in accordance with the Articles. Holders of the Class B Preference Shares are also entitled to receive on an annual basis, in accordance with the Articles, a participating dividend in the event that the total Class A Ordinary Share dividend paid in any financial year exceeds $0.18, with the participating dividend to be calculated by multiplying the amount of the excess by four.

A Class B Preference Share participating dividend of $2.08 per share was paid on March 15, 2021. The Company has historically paid Class B Preference Share participating dividends together with the Class A Ordinary Share dividends in March of each year.

The following table sets forth a summary of dividends paid per Class A Ordinary Share and Class B Preference Share for the financial years ended December 31, 2019, December 31, 2020 and December 31, 2021:

	2021 ($)	**2020 ($)**	**2019 ($)**
Class A Ordinary Shares	0.70	0.70	0.70
Class B Preference Shares	3.88	3.88	3.88

7.0 CREDIT RATINGS

Debt securities issued by CUC are rated by Standard and Poor's ("S&P") and DBRS Morningstar ("DBRS") as set out below. The ratings assigned to CUC's securities are reviewed by these agencies on an ongoing basis. Credit ratings are intended to provide investors with an independent measure of credit quality of an issue of securities and are not recommendations to buy, sell or hold securities. Ratings may be subject to revision or withdrawal at any time by the credit rating organization. CUC's credit ratings were as follows as at December 31, 2021:

Agency	**Rating**
Standard and Poor's	BBB+/Negative: Senior Unsecured Debt and Long-Term Corporate Credit Rating
DBRS	A (low): Senior Unsecured Debt

The S&P rating is in relation to long-term corporate credit and unsecured debt while the DBRS rating relates to senior unsecured debt.

In November 2020, S&P affirmed the Company's "BBB+ with a negative outlook" rating. The negative outlook is based on the fact that the COVID-19 pandemic could have a severe impact to the Cayman Island's tourism industry. This in turn could affect CUC's financial measures.

In February 2021, DBRS affirmed the Company's "A" credit rating while maintaining the categorization of low with a Stable trend. Considerations for the rating were a supportive regulatory regime that allows the Company to earn good returns on its rate base and to generate predictable cash flow, limited competition, and no exposure to commodity price risk and only modest regulatory lag associated with the recovery of fuel, nonfuel costs, and capital spending. The ratings also incorporate factors such as CUC's exposure to hurricane risks and the relatively small size of the Company's customer base.

S&P long-term debt ratings are on a scale that ranges from AAA to C, which represents the range from highest to lowest quality of such securities. S&P uses "+" or "-" designations to indicate the relative standing of securities within a particular rating category. S&P credit ratings are current opinions of the financial security characteristics with respect to the ability to pay under contracts in accordance with their terms. This opinion is not specific to any particular contract, nor does it address the suitability of a particular contract for a specific purpose or purchaser. An issuer rated BBB or higher is regarded by S&P as having financial security characteristics that outweigh any vulnerabilities and is highly likely to have the ability to meet financial commitments.

DBRS rates debt instruments by rating categories ranging from AAA to D, which represents the range from highest to lowest quality of such securities. DBRS states that its long-term debt ratings are meant to give an indication of the risk that the borrower will not fulfill its obligations in a timely manner with respect to both interest and principal commitments. According to DBRS, a rating of A by DBRS is in the middle of three subcategories within the third highest of nine major categories, and such rating is assigned to debt instruments considered to be of satisfactory credit quality and for which protection of interest and principal is still substantial, but the degree of strength is less than with AA rated entities. Entities in the A category are considered by DBRS to be more susceptible to adverse economic conditions and have greater cyclical tendencies than higher-rated entities. The assignment of a "(high)" or "(low)" modified within each rating category indicates relative standing within such category.

The Company has paid customary rating fees to DBRS and S&P in connection with the ratings. In the past two years, the Company did not make any payments to either DBRS or S&P in respect of any other services provided by either DBRS or S&P.

8.0 MARKET FOR SECURITIES

The Class A Ordinary Shares are listed in United States dollars on the Toronto Stock Exchange ("TSX") under the trading symbol "CUP.U". The following table sets forth the reported high and low trading prices and trading volumes for the Class A Ordinary Shares for the one year period ended December 31, 2021. The closing price of the Class A Ordinary Shares on the TSX as of December 31, 2021 was $15.00 per share.

	High ($)	Low ($)	Volume (#)
January 2021	15.01	14.30	45,205
February 2021	15.20	14.40	56,359
March 2021	15.15	14.62	73,311
April 2021	15.10	14.39	23,985
May 2021	15.10	14.01	41,169
June 2021	14.78	14.45	8,291
July 2021	15.10	14.50	30,911
August 2021	15.78	14.52	9,447
September 2021	15.27	14.60	20,583
October 2021	15.20	14.10	100,185
November 2021	15.24	14.85	33,835
December 2021	15.35	14.90	47,078
Fiscal 2021	**15.78**	**14.01**	**490,359**

Fortis Energy (Bermuda) Ltd. ("FEBL"), a wholly-owned subsidiary of Fortis Inc., is the controlling shareholder of the Company and held approximately 59% of the issued and outstanding Class A Ordinary Shares as of December 31, 2021. No person or entity, other than FEBL, owns beneficially or of record, directly or indirectly, more than 10% of the issued and outstanding Class A Ordinary Shares, to the knowledge of the Company.

9.0 DIRECTORS AND OFFICERS

The following table discloses the name, place of residence and office of each member of the Board as of December 31, 2021. All directors have been elected to serve until the next annual general meeting of shareholders of the Company, scheduled to be held on May 10, 2022, or until their successors are elected or appointed in accordance with applicable laws.

Name and Residence	Position with the Company or Principal Occupation	Director Since
Jennifer P. Dilbert, MBE, JP (2) Grand Cayman, Cayman Islands	Retired Financial Regulator, Diplomat and Information Commissioner for the Cayman Islands.	2017
Sheree L. Ebanks (2) Grand Cayman, Cayman Islands	Chief Executive Officer, Cayman Islands Institute of Professional Accountants, the regulatory body responsible for oversight of the accounting profession in the Cayman Islands.	2014
Woodrow Foster (3) Grand Cayman, Cayman Islands	Managing Director, Fosters Food Fair, an independent grocery store chain.	2014
Susan M. Gray Arizona, USA	President and Chief Executive Officer, Tucson Electric Power, an integrated electrical utility company.	2021
Sophia Harris (3) Grand Cayman, Cayman Islands	Retired Managing Partner of the Cayman Office of law firm Bedell Cristin (previously known as Solomon Harris) which she established in 1997.	2019
J.F. Richard Hew (1) Grand Cayman, Cayman Islands	President and Chief Executive Officer, Caribbean Utilities Company, Ltd.	2003

R. Scott Hawkes Ontario, Canada	President and CEO, FortisOntario Inc. an integrated electrical utility company.	2019
Gretchen L. Holloway Michigan, USA(2)	Senior Vice President & Chief Financial Officer of ITC Holdings Corp., an independent electrical transmission company.	2021
Mark Macfee (2) Grand Cayman, Cayman Islands	Retired Telecommunications and Media executive.	2019
David E. Ritch, OBE, JP (2) (3) Grand Cayman, Cayman Islands	Attorney-at-Law (Retired), Ritch and Conolly; Chairman of the Board of Directors, Caribbean Utilities Company, Ltd. (non-executive position)	1988
Gary J. Smith (3) Newfoundland and Labrador, Canada	Executive Vice-President, Eastern Canadian & Caribbean Operations, Fortis Inc., a diversified utility holding company.	2016
Peter A. Thomson Grand Cayman, Cayman Islands	Retired Executive, Caribbean Utilities Company, Ltd.	1986

Notes:
1. Executive officer of the Company. The Chair of the Board is a non-executive position of the Company.
2. Member of the Audit Committee. Mrs. Ebanks is Chair of the Audit Committee.
3. Member of the Nominating and Corporate Governance Committee. Mr. Ritch is Chair of the Nominating and Corporate Governance Committee.

All of the above directors have held their principal occupations or held executive positions with the same or associated firms for the past five years, except as indicated below:

1. Gary J. Smith: Served as President and Chief Executive Officer of Newfoundland Power Inc. prior to June 1, 2017.

The Articles provide for a mandatory retirement age of 70 years of age for directors of the Company. Directors are required to vacate the office of director and any officer's position at the first general meeting of shareholders of the Company after reaching such age. As at the date of the 2021 Annual General Meeting, all of the directors were under 70 years of age.

The following table discloses the name, place of residence and office of each executive officer of the Company as of December 31, 2021.

Name and Residence	**Office**
J.F. Richard Hew, Grand Cayman, Cayman Islands	President & Chief Executive Officer
Letitia T. Lawrence , Grand Cayman, Cayman Islands	Vice-President Finance, Corporate Services & Chief Financial Officer
Sacha N. Tibbetts, Grand Cayman, Cayman Islands	Vice-President Customer Service & Technology
David C. Watler, Grand Cayman, Cayman Islands	Vice-President Operations

Notes: The above executive officers of the Company have held the same or similar positions for the past five years.

To the knowledge of the Company, the directors and executive officers of the Company collectively beneficially owned, or controlled or directed, directly or indirectly, 166,936 Class A Ordinary Shares, representing 0.45% of the issued and outstanding Class A Ordinary Shares as of December 31, 2021.

10.0 AUDIT COMMITTEE

10.1 Education and Experience

The Audit Committee is comprised of five individuals as of December 31, 2021. The education and experience of each committee member that is relevant to his or her responsibilities as a member of the Audit Committee are described below.

Name	Relevant Education and Experience
Sheree L. Ebanks (Chair) Grand Cayman, Cayman Islands	Mrs. Ebanks is the Chief Executive Officer of the Cayman Islands Institute of Professional Accountants, the regulatory body responsible for oversight of the accounting profession in the Cayman Islands. Mrs. Ebanks also sits on the Professional Accountancy Development & Advisory Group ("PAO") of the International Federation of Accountants. She serves as a Director and Chair of the Audit Committee of RBC Royal Bank of Canada (Cayman) Ltd., is the Chairman of the Cayman Islands Public Service Pensions Board and previously served as Director and Head of Wealth Management and Fiduciary Services at Butterfield Bank (Cayman) Limited. Mrs. Ebanks is an Accredited Director with the Chartered Governance Institute of Canada and holds an MBA from the University of Liverpool.
Jennifer P. Dilbert, MBE, JP Grand Cayman, Cayman Islands	Mrs. Dilbert is a retired Financial Regulator, Diplomat and Information Commissioner for the Cayman Islands. During her 34 year career in the civil service she served as Inspector of Financial Services and Manager of the Cayman Islands Currency Board. She worked as Executive Director of Deutsch Bank before being appointed to the post of the Cayman Islands Representative in the United Kingdom. Following this she served as the Cayman Islands' first Information Commissioner before retiring in 2013. Mrs. Dilbert holds a BA (Hons) degree in Economics. She is currently a member of the Board and Audit Committee of the Fidelity Group (Cayman).
Gretchen L. Holloway Michigan, USA	Ms. Holloway is a senior financial executive with over 24 years of experience. She serves as Senior Vice President & Chief Financial Officer of ITC Holdings Corp., the largest independent transmission company in the United States. Ms. Holloway has extensive financial experience with ITC and has served in key roles including financial planning & analysis, corporate development, investor relations, enterprise risk management and

	treasury. Ms. Holloway holds a Bachelors of Business Administration with a focus in Finance from Western Michigan University. Ms. Holloway is a member of the Finance & Audit Committee for the Children's Hospital Foundation of Michigan and sits on the Board of Directors of Inforum.
Mark Macfee Grand Cayman, Cayman Islands	Mr. Macfee recently retired as President of the Yello Media Group (previously the Chief Executive). Prior to joining the Yello Media Group, Mr. Macfee was the Executive Vice President of Cable & Wireless Ltd's, Northern Caribbean businesses. Mr. Macfee is a Fellow of the Institute of Chartered Accountants of England and Wales and holds a joint honours degree in Economics and Accounting from the University of Wales.
David E. Ritch, OBE, JP Grand Cayman, Cayman Islands	Mr. Ritch is the retired senior partner of Ritch & Conolly, a Cayman Islands law firm. He holds an LL.B Degree with Honours from the University of the West Indies and attended the Inns of Court School of Law in London, England. He was called to the Bar of England and Wales by the Honourable Society of the Inner Temple and is also admitted as an Attorney-at-Law in the Cayman Islands. Mr. Ritch currently serves as non-executive Chairman on the Board of Directors of FirstCaribbean International Bank Limited, on the Board of Directors of FirstCaribbean International Bank (Cayman) Limited and is a member of the Board of Directors of FirstCaribbean International Bank and Trust Company (Cayman) Limited. He also serves as a member of the Audit Committee, the Risk Committee and the Compensation Committee and as the Chairman of the Nominating and Corporate Governance Committee of FirstCaribbean International Bank Limited.

The Board has determined that each of the Audit Committee members is financially literate; that Messrs. Ritch and Macfee and Mrs. Ebanks and Dilbert are all independent; and that Ms. Holloway although not independent on account of her role as an executive officer of an affiliate company, is exempt from the requirement to be independent under NI 52-110 pursuant to Section 3.3(2) of that instrument. The Company has relied on this exemption such that Ms. Holloway be a member of the Audit Committee in accordance with NI 52-110. The Board has determined in its reasonable judgment that Ms. Holloway is able to exercise the impartial judgment necessary to fulfill her responsibilities as an Audit Committee member and that her appointment is required in the best interests of the Company and its shareholders.

Financially literate means having the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements. Independent means free from any direct or indirect material relationship with the Company that could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgment as more particularly described in NI 52-110.

10.2 Audit Committee Mandate

The text of the Audit Committee mandate, which was amended in November 2021, is attached as Schedule A to this Annual Information Form.

10.3 Pre-Approval of Audit and Non-Audit Services

The Audit Committee requires written pre-approval of all audit and non-audit services provided to the Company by the Company's external auditor. Non-audit services have included performing certain procedures in relation to the Company's annual returns filed with the Government, continuous disclosure documents, quarterly financial statements and debt covenant certificates, as well as providing technical advice. The Audit Committee considers non-audit business advisory services to be in the context of auditor independence.

10.4 Interest of Experts and External Auditor Service Fees

The external auditors of the Company for the one-year period ended December 31, 2021 were Deloitte LLP ("Deloitte"), Springdale Street, St. John's, Newfoundland and Labrador, Canada. Deloitte was first appointed at the annual general meeting of shareholders of the Company's held on May 11, 2017. The Company has been advised by Deloitte that the partners and senior management of Deloitte, together with each employee or consultant of Deloitte who participated in and who was in a position to directly influence the preparation of Deloitte's audit report on the audited consolidated financial statements of the Company for the year ended December 31, 2021, hold no interest in the securities of CUC and that Deloitte is independent with respect to the Company in accordance with the independence requirements of The International Federation of Accountants.

Fees paid by CUC to Deloitte in Fiscal 2021 and Fiscal 2020, respectively, for audit, audit-related and non-audit services were as follows:

	December 31, 2021 ($)	**December 31, 2020 ($)**
CUC Audit fees	473,041	516,909
DataLink Special Report	14,823	12,250
Total	**487,864**	**529,159**

11.0 MATERIAL CONTRACTS

The following is a list of the "material contracts" of the Company required to be filed on SEDAR under NI 51-102 and that were entered within the most recently completed financial year or prior to the most recently completed financial year and that are still in effect:

- the T&D Licence and the Generation Licence, each of which is described above under Section 3.2 "Regulation".

12.0 REGISTRAR AND TRANSFER AGENT

The registrar and transfer agent for the Class A Ordinary Shares and Class B Preference Shares is TMX Trust of Toronto, Ontario, Canada. The register of transfers of each of the Class A Ordinary Shares and Class B Preference Shares are located in Toronto, Ontario, Canada.

13.0 ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com.

Further additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans is contained in the Company's management information circular dated March, 2021 with respect to the annual meeting of shareholders of the Company held on May 11, 2021. Additional financial information is provided in the 2021 Financial Statements and the MD&A, both of which are included in the Annual Report.

Requests for copies of the aforementioned documents as well as this Annual Information Form should be directed to the Company Secretary, Caribbean Utilities Company, Ltd., P.O. Box 38, Grand Cayman KY1-1101, Cayman Islands (phone: (345) 949-5200; fax: (345) 949-4621; e-mail: investor@cuc.ky).

SCHEDULE A

AUDIT COMMITTEE MANDATE

1.0 **OBJECTIVE**

The Caribbean Utilities Company, Ltd. (CUC) Audit Committee focuses on ensuring integrity of financial information, the clarity in reporting and greater transparency in disclosure. In doing so, it is the responsibility of the Audit Committee to maintain free and open means of communication with the Directors, External Auditor, Internal Auditors and the senior Management of the Company.

The Committee shall provide assistance to the Directors in fulfilling their duties related to the following oversight responsibilities:

1.1 Integrity of the Company’s financial statements.

1.2 Company’s compliance with legal and regulatory requirements, including assistance to the Board in compliance with the continuous disclosure obligations as required by the Canadian Securities Administrators (CSA) rules and policies.

1.3 External Auditor’s qualifications and independence.

1.4 Performance of the Company’s Internal Auditor and External Auditors.

2.0 **DEFINITIONS**

In this mandate:

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

2.2 **“CICA**” means the Canadian Institute of Chartered Accountants or any successor body;

2.3 “**Committee”** means the Audit Committee of the Board;

2.4 **“Company”** means Caribbean Utilities Company, Ltd. (CUC);

2.5 **“Director”** means a member of the Board;

2.6 **“External Auditor”** means the firm of chartered accountants appointed by the shareholders to act as External Auditor of the Company;

2.7 **“Financially literate”** means having the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected in the Company’s financial statement;

2.8 **“Independent”** means free from any direct or indirect material relationship with the Company which, in the view of the Board, could reasonably be expected to interfere with the exercise of a Member's independent judgment as more particularly described in National Instrument 52-110;

2.9 **“Internal Auditor”** means the person employed or engaged by the Company to perform the internal audit function of the Company;

2.10 “**Management”** means the senior officers of the Company;

2.11 **“MD&A”** means the Company’s management discussion and analysis prepared in accordance with National Instrument 51-102F1 in respect of the Company's annual and interim financial statements; and

2.12 **“Member”** means a member of the Committee.

3.0 AUTHORITY

The Audit Committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

3.1 Pre-approve all auditing and permitted non-audit services performed by the Company's external audit firm.

3.2 Retain independent counsel, accountants, or others to advise the Committee or assist in the conduct of an investigation.

3.3 Meet with Management, Internal Auditor, External Auditors, or outside counsel, as necessary.

3.4 The Committee may delegate authority to subcommittees, including the authority to preapprove all auditing and permitted non-audit services, providing that such decisions are presented to the full Committee at its next scheduled meeting.

4.0 ORGANISATION AND COMPOSITION

4.1 The Committee shall be appointed annually by the Board and shall be comprised of three or more Directors:-

(A) none of whom is a member of Management or an employee of the Company;
(B) all of whom are Independent;
(C) the Chair of the Board shall be a member of the Committee;
(D) every Audit Committee member must be financially literate; and
(E) a member shall be appointed Chair of the Committee by the Board.

5.0 MEETINGS

5.1 The Committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require.

5.2 Meetings of the Committee shall be held at the call (i) of the Chair of the Committee, or (ii) of any two (2) members, or (iii) of the External Auditor.

5.3 The President & Chief Executive Officer, the Vice President, Finance, Corporate Services & Chief Financial Officer, External Auditor and Internal Auditor shall receive notice of, and (unless otherwise determined by the Chair of the Committee) shall attend all meetings of the Committee.

5.4 A quorum at any meeting shall be a majority of the Members of the Committee.

5.5 The Committee will meet without Management present for a portion of each meeting.

5.6 The Committee shall meet separately with Management, with Internal Auditors and with External Auditors at least once in each year.

5.7 The Chair of the Committee shall act as chair of all meetings of the Committee at which the Chair is present. In the absence of the Chair from any meeting of the Committee, the Members present at the meeting shall appoint one of their members to act as chair of the meeting.

5.8 The Secretary of the Company shall act as secretary of all meetings of the Committee unless otherwise determined by the Chair of the Committee.

5.9 Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared.

6.0 **RESPONSIBILITIES**

The Committee will carry out the following responsibilities:

6.1 **Financial Statements**

(A) Review Management's and the External Auditor's reports of significant accounting and reporting issues and understand their impact on the financial statements. These issues include:

(I) Complex or unusual transactions and highly judgmental areas.

(II) Major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles.

(III) The effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company.

(B) Review analyses prepared by Management and/or the External Auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements.

(C) Review with Management and the External Auditors the results of the audit, including any difficulties encountered. This review will include any restrictions on the scope of the External Auditor's activities or on access to requested information, and any significant disagreements with Management.

(D) To use reasonable efforts to satisfy itself, at least annually, as to the adequacy of the Company's accounting personnel and senior financial Management responsible for financial reporting;

(E) Review with Management and the External Auditor any correspondence with regulators and any employee complaints or published reports which raise material issues regarding the Company's financial statements or accounting policies;

(F) To meet periodically with Management to review and understand the Company's structure, industry risks and major financial exposures of the Company. Use reasonable efforts to satisfy itself as to the adequacy and implementation of the Company's policies for the Management of the risk related to foreign currency transactions, interest rate fluctuations and the use of derivative financial instruments.

(G) Review and recommend for Board approval the annual audited financial statements and to review the quarterly financial statements, including the Company's disclosures under MD&A, interim and annual earnings press releases relating to the disclosure of the statements before the issuer publicly discloses this information.

(H) The audit committee must be satisfied that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statement, other than the public disclosure referred to in 1.7 and must periodically assess the adequacy of those procedures.

(I) Review disclosures made by CEO and CFO during the quarterly and annual disclosure certification process about significant deficiencies in the design or operation of internal controls or any fraud or untoward conduct that involves Management or other employees who may or may not have a significant role in the Company's internal controls. (Canadian NI 52-109).

6.2 **Internal Control**

(A) Consider the effectiveness of the Company's internal control system, including information technology security and control.

(B) Understand the scope of Internal and External Auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with Management's responses.

(C) Review and evaluate that management is setting the appropriate tone at the top by communicating the importance of internal controls and ensuring that all individuals understand their roles and responsibilities.

6.3 **Internal Audit**

(A) Review with Management and the Internal Auditor the charter, plans, activities, staffing, internal audit reports and organizational structure of the internal audit function.

(B) Ensure there are no unjustified restrictions or limitations on, and review and concur in the appointment, replacement, or dismissal of the Internal Auditor.

(C) Review the assessment of the effectiveness of the internal audit functions.

(D) On a regular basis, meet separately with the Internal Auditor to discuss any matters that the committee or internal audit believes should be discussed privately.

6.4 **External Audit**

(A) Review the External Auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.

(B) Review the performance of the External Auditors, and recommend approval of appointment or discharge of Auditors and External Auditor compensation. In performing this review, the Committee will:

(I) At least annually, obtain and review a report by the External Auditor describing (in connection with the External Auditor's determination of its independence) all relationships between the External Auditor and the Company.

(II) Take into account the opinions of Management and Internal Auditor.

(III) Review and evaluate the lead partner of the External Auditor.

(IV) Present its recommendations with respect to the External Auditor to the Board.

(V) Ensure the rotation of the lead audit partner every five years and other audit partners every seven years, and consider whether there should be regular rotation of the audit firm itself.

(VI) Present its conclusions with respect to the External Auditor to the full board.

(VII) Approve the Company hiring policies related to employees or former employees of the External Auditors.

(VIII) On a regular basis, meet separately with the External Auditors to discuss any matters that the committee or Auditors believe should be discussed privately.

(C) The External Auditor should communicate the following with the Committee prior to the completion of the audit:

(I) the audit and non-audit services that the External Auditor is providing to the Company;

(II) the level of responsibility assumed by the External Auditor under generally accepted auditing standards; and

(III) a summary of the planned audit approach:

(i) the general approach to the audit;
(ii) areas of the financial statements identified by the Auditor, Management or the Committee as having a high risk of material misstatement and the Auditor's response thereto;
(iii) the materiality and audit risk levels;
(iv) the preliminary assessment of internal control, the planned extent of audit work related to internal control and the effect of any control reliance on year-end procedures;
(v) how matters communicated with the Committee during the planning process affect the planned nature and scope of the audit;
(vi) the effects of any new developments in accounting standards or regulatory requirements on the entity's financial reporting;
(vii) planned reliance on other Auditors, how the expectations will be communicated to the other Auditors and how their findings will be communicated to the Committee;

(viii) use of specialists, if any;
(ix) the timing of the audit;
(x) the experience and qualifications of the senior members of the External Auditor team and the quality control procedures of the External Auditor;
(xi) the External Auditor's engagement letter; and,
(xii) the estimated External Auditor's fees.

(D) The Committee shall discuss with the External Auditor matters arising out of the audit upon completion of the audit. The Committee shall be advised on at least the following:

(I) identification and discussion of audit assurance standards concerning:

(i) knowledge of any fraud and misstatements arising from error;
(ii) any illegal or possibly illegal acts;
(iii) identification of any significant weaknesses in internal control identified by the Auditor; and
(iv) related party transactions identified by the Auditor which are not in the normal course of operations and which involve significant judgments made by Management concerning measurement or disclosure.

(II) matters that have a significant and material effect on the accounting principles used in the Company's financial reporting;

(i) the selection of and changes in any significant accounting policies;
(ii) the effect of significant accounting policies in controversial areas or those unique to the industry;
(iii) the existence of acceptable alternative policies and methods, and the acceptability of the particular policy or method used by Management;
(iv) the effect on the financial statements of significant unusual transactions;
(v) the use of accruals, provisions or estimates that have a significant effect upon the financial statements, the reasonableness of significant adjustments and the clarity of the disclosures in the financial statements;
(vi) the basis for the External Auditor's conclusions regarding the reasonableness of the estimates made by Management;
(vii) factors affecting the asset and liability carry values and the Auditor's conclusion regarding reasonableness of assumptions made by Management.

(III) summary of all unadjusted differences and the effect on the financial statements.

(IV) Resolve any disagreements between Management and the External Auditor regarding financial reporting.

(E) To use reasonable efforts to satisfy itself that any litigation, claim or other contingency, including tax assessments, that could have a material effect on the financial position or operating results of the Company have been appropriately disclosed in the Company's audited financial statements;

(F) Approve the retention of the External Auditor for any non-audit service and the fee for such service;

(G) Oversee the work of the External Auditor.

6.5 **Compliance**

(A) Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of Management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.

(B) Establish procedures for:

(I) The receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and

(II) The confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

(C) Review the findings of any examinations by regulatory agencies, and any Internal/External Auditor's observations.

(D) Review the process for communicating the code of conduct to Company's personnel, and for monitoring compliance therewith.

(E) Obtain regular updates from Management and corporate legal counsel regarding compliance matters.

6.6 **Reporting Responsibilities**

(A) Regularly report to the Board of Directors about Committee activities and issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's External Auditors, and the performance of the internal audit function.

(B) Provide an open avenue of communication between Internal Auditor, the External Auditors, and the Board of Directors.

(C) Review required disclosure to the shareholders, describing the Committee's composition, responsibilities and how they were discharged, and any other information required by rule, including fees for audit and non-audit services.

(D) Review any other reports the Company issues that relate to Committee responsibilities.

6.7 **Whistle-Blower Policy**

(A) The Chair of the Audit Committee shall have direction to call a meeting of the Committee to review suspected violations of the Whistle-Blower Policy of the Company, and shall have the authority to engage independent counsel before presenting such violations to the Committee.

6.8 **Other Responsibilities**

(A) To review and report annually to the Board with respect to the expenses of the Chair of the Board and President of the Company; and

(B) Discuss with Management the Company's major policies with respect to financial risk assessment and management.

(C) To review the Company's policy on insurance management and the preservation of assets generally.

(D) Perform other activities related to this mandate as requested by the Board of Directors.

(E) Institute and oversee special investigations as needed.

(F) Confirm annually that all responsibilities outlined in this mandate have been carried out.

(G) Evaluate the Committee's and individual members' performance at least annually.