

**Corus Entertainment Inc.**

**Annual Information Form**

Fiscal Year Ended August 31, 2017

November 27, 2017

**CORUS.**

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All amounts following are expressed in Canadian dollars unless otherwise indicated.

## FORWARD-LOOKING INFORMATION

*To the extent any statements made in this document contain information that is not historical, these statements are forward-looking statements and may be forward-looking information within the meaning of applicable securities laws (collectively, "forward-looking information"). Forward-looking information relates to, among other things, our objectives, goals, strategies, intentions, plans, estimates and outlook, including advertising, distribution, merchandise and subscription revenues, operating costs and tariffs, taxes and fees, currency value fluctuations, and interest rates. Forward-looking information is predictive in nature and can generally be identified by the use of the words such as "believe", "anticipate", "expect", "intend", "plan", "will", "may" and other similar expressions. The forward-looking information contained in this document includes, but is not limited to: statements that refer to expectations regarding intentions to sell Historia and Séries+, expected OTT and publishing market revenue growth and intentions to incur significantly lower integration and restructuring costs in fiscal 2018. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances may be considered forward-looking information.*

*Although Corus believes that the expectations reflected in such forward-looking information are reasonable, such statements involve assumptions, risks and uncertainties and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied with respect to the forward-looking information above, including, without limitation: factors and assumptions regarding general market conditions and general outlook for the industry, interest rates, stability of the advertising, distribution, merchandise and subscription markets, operating costs and tariffs, taxes and fees, currency value fluctuations, interest rates, technology developments and assumptions regarding the stability of laws and government regulation and policies and the interpretation or application of those laws and regulations, consistent application of accounting policies, segment profit growth rates, future levels of capital expenditures, expected future cash flows and discount rates, and actual results may differ materially from those expressed or implied in such statements.*

*Important factors that could cause actual results to differ materially from these expectations include, among other things: our ability to attract and retain advertising and subscriber revenues; audience acceptance of our television programs and networks; our ability to recoup production costs, the availability of tax credits and the existence of co-production treaties; our ability to compete in any of the industries in which we do business; the opportunities (or lack thereof) that may be presented to and pursued by us; conditions in the entertainment, information and communications industries and technological developments therein; changes in laws, regulations, and policies or the interpretation or application of those laws and regulations; our ability to integrate and realize anticipated benefits from our acquisitions and to effectively manage our growth; our ability to successfully defend ourselves against litigation matters arising out of the ordinary course of business; and changes in accounting standards. Additional information about these factors and about the material assumptions underlying forward-looking information are set out under the heading "Risks and Uncertainties" in the Management's Discussion and Analysis for the year ended August 31, 2017 and under the heading "Risk Factors" in this document. Corus cautions that the foregoing list of important factors that may affect future results is not exhaustive.*

*When relying on our forward-looking information to make decisions with respect to Corus, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Unless otherwise specified, all forward-looking information in this document speaks as of the date of this document. Unless otherwise required by applicable securities laws, Corus disclaims any intention or obligation to publicly update or revise any forward-looking statements whether as a result of new information, events or circumstances that arise after the date thereof or otherwise.*

## INCORPORATION OF CORUS

### Organization and Name

Corus Entertainment Inc. ("Corus" or the "Company") is a diversified Canadian-based integrated media and content company that creates and delivers high quality brands and content across platforms for audiences in Canada and around the world. The Company's portfolio of multimedia offerings encompasses 45 specialty television networks, 15 conventional television stations, 39 radio stations and a global content business, which includes the production and distribution of films and television programs, merchandise licensing, book publishing, animation software, and media and technology services.

The Company was originally incorporated under the *Canada Business Corporations Act* as 3470652 Canada Inc. on March 3, 1998. Corus amended its articles to change its name to Corus Entertainment Inc. on May 28, 1999 and

subsequently amended its articles on August 26, 1999 to create additional classes of shares. Corus commenced operations on September 1, 1999. On that date, pursuant to a statutory plan of arrangement ("the Arrangement"), Corus was separated from Shaw Communications Inc. ("Shaw") as an independently operated, publicly traded company and assumed ownership of Shaw's radio broadcasting, specialty television, digital audio services and cable advertising services businesses, as well as certain investments held by Shaw.

Pursuant to the Arrangement, Class A shareholders of Shaw received one Class A participating share of Shaw ("Shaw Class A Share") and one-third of a Class A participating share of Corus ("Corus Class A Voting Share") for each Shaw Class A Share previously held by them. Class B non-voting shareholders of Shaw received one Class B non-voting participating share of Shaw ("Shaw Class B Share") and one-third of one Class B non-voting participating share of Corus ("Corus Class B Non-Voting Share") for each Shaw Class B Share previously held by them.

On September 3, 1999, the Corus Class B Non-Voting Shares were listed and posted for trading on the Toronto Stock Exchange (CJR.B). On May 10, 2000, Corus Class B Non-Voting Shares were listed for trading on the New York Stock Exchange (CJR).

On December 18, 2003, the Company amended its articles to state that no Class A Voting Shares may be issued unless the prior written consent of holders of no fewer than two-thirds of existing Class A Voting Shares is obtained. The Company also amended its articles on January 9, 2008 to implement a two-for-one stock split of its Class A Voting Shares and Class B Non-Voting Shares (each such term as defined below under the heading "Capital Structure"), effective February 1, 2008.

The Company voluntarily delisted from the New York Stock Exchange on August 4, 2010. On August 16, 2011, Corus filed a Form 15F with the U.S. Securities and Exchange Commission ("SEC") to voluntarily terminate registration of its Class B Non-Voting Shares, with the deregistration being effective 90 days after the Form 15F filing date.

Corus' registered office is located at 1500, 850 – 2nd Street SW, Calgary, Alberta T2P 0R8 and its executive office is located at Corus Quay, 25 Dockside Drive, Toronto, Ontario, M5A 0B5.

## Subsidiaries

The following table describes the significant operating subsidiaries of Corus as at August 31, 2017, their jurisdiction of incorporation or organization, and the combined percentage of voting securities owned by Corus directly or indirectly.

Name	Jurisdiction	Voting interest	
		2017	2016
Corus Media Holdings Inc. (formerly Shaw Media Inc.)	Alberta	100.0%	100.0%
Corus Media Global Inc. (formerly Shaw Media Global Inc.)	Canada	100.0%	100.0%
Corus Premium Television Ltd.	Canada	100.0%	100.0%
Corus Radio Company	Nova Scotia	100.0%	100.0%
Food Network Canada Inc.	Canada	80.2%	80.2%
History Television Inc.	Canada	100.0%	100.0%
HGTV Canada Inc.	Canada	80.2%	80.2%
Nelvana Limited	Ontario	100.0%	100.0%
Showcase Television Inc.	Canada	100.0%	100.0%
TELETOON Canada	Canada	100.0%	100.0%
W Network Inc.	Canada	100.0%	100.0%
YTV Canada Inc.	Canada	100.0%	100.0%

The Company has other subsidiaries, but they have been omitted as each represents 10% or less of total consolidated assets and 10% or less of total consolidated revenues. These omitted subsidiaries together represent less than 20% of total consolidated assets and revenues.

## STRATEGIC PRIORITIES

The Company has adopted a strategic plan with priorities designed to increase shareholder value through organic growth initiatives and acquisitions. There is an ongoing shift in media consumption habits driven by consumers' appetite for more high quality content across a variety of platforms. To achieve its growth objectives, the Company must ensure its brands and content reach its audiences where they are. An intense focus will be placed on optimizing and monetizing these audiences, both at home and abroad, by executing the Company's key strategic priorities as follows:

1. Own and Control More Content

Increase production of owned content and secure rights to world-class branded content to compete effectively in the domestic and international marketplace.

2. Engage Our Audiences

Build a two-way relationship with audiences, both viewers and listeners.

3. Expand into New and Adjacent Markets

Pursue growth in unregulated and regulated businesses, domestically and internationally. Leverage expertise into new categories and markets.

These strategic priorities will be advanced by deepening the Company's extensive domestic and global partnerships, deploying opportunistic, targeted merger and acquisition activities and through ongoing excellence in execution.

## GENERAL DEVELOPMENT OF THE BUSINESS

Corus is transforming to meet the needs of a rapidly evolving media and content marketplace, entering into strategic transactions and implementing new initiatives during the last three fiscal years ended August 31, 2017. The development of the business has been influenced by the continued evolution of the media industry as more fully described in the Description of the Industry section as well as significant changes in the regulatory environment, as more fully described in the Canadian Communications Industry – Regulatory Environment section of this Annual Information Form.

### Expected Changes in Fiscal 2018

On October 18, 2017, Corus announced it had reached an agreement to sell its discretionary specialty television networks Historia and Séries+ to Bell Media. Following the Company's acquisition and integration of Shaw Media Inc. ("Shaw Media"), it was determined that these networks were no longer core to advancing Corus' strategic priorities. The sale is pending approval by the Canadian Radio-television and Telecommunications Commission ("CRTC") and the Competition Bureau.

### Fiscal 2017

Following the acquisition of Shaw Media in fiscal 2016, Corus met its three key objectives for fiscal 2017 as follows:

#### *Complete Shaw Media Integration and Lower Operating Costs*

The Company completed its integration of Shaw Media and lowered its operating costs through the capture of annualized cost synergies which were greater than Corus' target of \$40 to \$50 million.

#### *Improve Competitive Position*

The Company's position in the marketplace was improved through increased share of audience in its specialty and conventional television markets as well as certain radio markets, the expansion of offerings for advertisers and further progress in growing Corus' slate of owned content.

#### *Increase Free Cash Flow*

Free cash flow was significantly increased to \$293 million in fiscal 2017 from \$188 million in fiscal 2016. This enabled the Company to achieve its goal of deleveraging to 3.5 times net debt to segment profit by the end of fiscal 2017 while maintaining its annual dividend of \$1.14 per Class B Non-Voting Share and making targeted investments to further advance Corus' strategic priorities.

The achievement of these objectives, combined with an on-going focus on operational efficiencies, have resulted in an improved cost structure and enhanced ability to compete in the evolving media landscape.

## Fiscal 2016

In fiscal 2016, Corus made significant progress on its multi-year plan to transform into an integrated media and content company. This was achieved through significant merger and acquisition activity as well as initiatives designed to strengthen Corus' competitive position in the marketplace.

The Company continued to advance its strategic priorities, building on initiatives undertaken in fiscal 2015, with the launch of a new suite of Disney-branded discretionary specialty television networks; a broadening of its portfolio of TV Everywhere apps; the expansion of its content ownership strategy; and other activities designed to strengthen the business. In November 2015, Corus announced its strategic decision to discontinue its regional Premium Television business and focus on its national media brands, as described below. The Company also embarked upon and successfully completed its transformational acquisition of Shaw Media, which was a key strategic move for the Company in fiscal 2016.

### *Exit from Regional Premium Television Business*

On November 19, 2015, the Company announced that, as part of its plan to invest in and optimize its national media brands, Corus would discontinue its regional Western Canada pay television ("Pay TV") business, which included Movie Central, Encore Avenue and HBO Canada. Effective November 19, 2015, certain of the Company's Pay TV assets and liabilities, which were included in the Television Segment, were reclassified as held for disposal as a consequence of meeting the definition of assets held for sale under IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*. The results of operations of the Pay TV business, as well as its assets and liabilities, are included in the Television segment for the six months ended February 29, 2016, the date upon which Corus ceased operation of this business. Corus received a cash consideration of \$211.0 million from BCE Inc. ("Bell") to support Bell's national Pay TV expansion efforts.

### *Acquisition of Shaw Media*

On January 13, 2016, the Company entered into an acquisition agreement with Shaw Communications Inc. ("Shaw"), a related party to Corus subject to common voting control, to acquire 100% of its media subsidiary, Shaw Media (the "Shaw Media Acquisition"). On April 1, 2016, the Company completed the Shaw Media Acquisition and consolidated the assets which consisted of 19 specialty television networks, including Food Network Canada, HGTV Canada, Slice, Lifetime, HISTORY, Showcase, National Geographic Channel Canada and BBC Canada, as well as 12 Global Television-branded local and regional conventional television stations in Vancouver, Kelowna, Edmonton, Calgary, Lethbridge, Saskatoon, Regina, Winnipeg, Toronto, Montreal, Saint John and Halifax. Effective April 1, 2016, 100% of the results of operations of Shaw Media, as well as its assets and liabilities, are included in the Television segment. The purchase price for the Shaw Media Acquisition of \$2.65 billion was satisfied by Corus through a combination of \$1.85 billion in cash consideration and the issuance by the Company to Shaw of 71,364,853 Class B Non-Voting Shares at an agreed value of \$11.21 per share for an aggregate value of \$800 million.

On April 11, 2016, the Company filed a Form 51-102F4 *Business Acquisition Report* for the Shaw Media Acquisition on SEDAR at [www.sedar.com](http://www.sedar.com).

The Shaw Media acquisition more than doubled Corus' size, providing the Company with enhanced competitive scale and brands.

## Fiscal 2015

In March 2015, the Company completed its CEO transition process, with the retirement of the founding President and CEO, and appointment of his successor, Douglas Murphy.

During this period, the CRTC rolled out its so-called Let's Talk TV decisions, which set the stage for significant changes to the regulatory landscape for television in Canada. These decisions are outlined in the Canadian Communications Industry – Regulatory Environment section of this Annual Information Form.

The Company established a new Executive Leadership Team and recast its strategic priorities, which are designed to leverage emerging opportunities in both the domestic and global marketplace, while addressing changes in the regulatory landscape.

Significant progress was made against Corus' strategic priorities in the year, including entering into an important agreement with Nickelodeon for all encompassing distribution and licensing rights to Nick content on any platform and device in Canada, in both English and French. Corus also entered into a landmark agreement with Disney, making the Company the official Canadian home for all of Disney's channel brands. Both licensing deals were effective September 1, 2016. With these agreements in place, and the Company's existing portfolio of successful kids brands, the Company built a suite of TV Everywhere apps, the first of which launched in June 2015 as TreehouseGO. To further the Company's "own and control more content" strategy, the Company launched a new content production and distribution business, now known as Corus Studios, and embarked upon the creation of a slate of unscripted lifestyle content for use on Corus' domestic specialty television networks, which is also sold in the international marketplace.

## DESCRIPTION OF THE BUSINESS

Corus' principal business activities are operated through two reporting segments: Television and Radio. The Television segment is comprised of 45 discretionary specialty television networks that provide programming to audiences across Canada, including news, drama, lifestyle, arts, children's and entertainment content; 15 conventional basic carriage television stations, including Global Television; and the Company's content business which includes wholly-owned Nelvana, a global creator, producer and distributor of children's animated content and related consumer products, as well as Corus Studios, Kids Can Press, Toon Boom and Quay Media Services. The Radio segment is comprised of 39 radio stations that are situated primarily in high-growth urban centres in English Canada, with a concentration in the densely populated areas of Southern Ontario. The Company also operates companion websites and other digital platforms, including apps, which are related to its brands.

The Company's fiscal year ends on August 31 in each year. The breakdown of revenues by business for the two most recent fiscal years is as follows:

Year ended August 31	2017	2016
Television	1,529,792	1,015,609
Radio	149,216	155,705
<b>Total revenues</b>	<b>1,679,008</b>	<b>1,171,314</b>

In fiscal 2017, the Company's television segment accounted for 91% of revenues, while its radio business accounted for the remaining 9%.

In fiscal 2016, the television segment revenues reflect 100% of the results of operations from the Shaw Media Acquisition for the five month period ended August 31, 2016, as well as 100% of the results of operations from the Company's Pay TV business for the six month period ended February 29, 2016, at which time the Pay TV business was discontinued. The Company's television segment accounted for 87% of fiscal 2016 revenues, while its radio business accounted for the remaining 13%.

Revenue streams in fiscal 2017 were derived primarily from three areas: advertising, subscriber fees and merchandising, distribution and other, which represented 64%, 30% and 6%, respectively, of total revenues. In fiscal 2016, advertising, subscriber fees and merchandising, distribution and other, represented 56%, 35% and 9%, respectively, of total revenues.

### TELEVISION

The Company's Television segment is comprised of 45 specialty television networks, 15 conventional television stations and a global content business, which includes the production and distribution of films and television programs, merchandise licensing, book publishing, animation software, and media and technology services.

On April 1, 2016, the Company's television business grew significantly due to the Shaw Media Acquisition, which gives the Company enhanced competitive scale and brands.

#### Description of the Industry

Broadcasting distribution undertakings ("BDUs") reported collectively to the CRTC that there were approximately 11.1 million subscribers to television programming services in 2016. There were approximately 8.9 million cable and Internet protocol television ("IPTV") subscribers and 2.2 million direct-to-home ("DTH") satellite and multipoint distribution systems ("MDS") subscribers in 2016.

A series of policy statements and substantive decisions from the CRTC, under the overall mantle known as "Let's Talk TV", have introduced several changes to the regulatory framework governing BDUs and Broadcasting Undertakings. For further details, please refer to the Canadian Communications Industry – Regulatory Environment section of this Annual Information Form.

#### Conventional Television

Conventional basic carriage television stations are licensed by the CRTC and provide over-the-air ("OTA") broadcast television signals to viewers within a local geographical market or on a networked basis. In addition to receiving conventional television signals off-air, the majority of Canadian viewers have access, either directly or through a BDU, to the television signals of U.S. border stations, which are generally affiliated with one of the four U.S. commercial networks (ABC, NBC, CBS and Fox) as well as a Public Broadcasting Service ("PBS") station. The CRTC mandates that Canadian BDUs must distribute the signal of a local or regional conventional station in place of the signal of a foreign television station when the two stations are broadcasting identical programming simultaneously and a request is made for this

substitution. This is referred to as simultaneous substitution. Canadian conventional television stations generate revenue from advertising and receive no subscription revenues. There is no limit to commercial messages that a conventional television station may broadcast. The success of conventional television is dependent on the quality and popularity of programming that result in audience ratings which, in turn, attract advertisers to a station or network. According to the CRTC, total television advertising revenues in 2016 were approximately \$3.2 billion in Canada. Privately-owned OTA television services received a 49% share or approximately \$1.6 billion of total television advertising revenues in 2016, compared to approximately \$1.6 billion or a 53% share of total television advertising revenues in 2015.

Since August 31, 2011, OTA television stations in certain areas stopped broadcasting analog signals and started broadcasting digital signals. On March 1, 2016, certain of the CRTC's revised carriage rules for BDUs came into effect, creating an obligation for BDUs to offer their subscribers an entry level basic service of local conventional broadcast stations and certain mandatory distribution of specialty discretionary services (known as "skinny basic") at a maximum price of C\$25 retail a month. For further details, please refer to the Canadian Communications Industry – Regulatory Environment section of this Annual Information Form.

#### *Discretionary Services: Specialty Television*

Specialty television services, along with pay television services ("Pay TV"), pay-per-view ("PPV") and video-on-demand ("VOD"), generated \$4.4 billion of combined advertising and subscriber revenues in 2016, according to the CRTC. Canadians who subscribe to the service package of a particular BDU (i.e. cable television, IPTV, DTH satellite or MDS) have specialty television networks made available to them on a discretionary basis, which provide special interest, news, sports, arts and entertainment programming.

Specialty television networks obtain revenues by charging a monthly subscriber fee to BDUs, and can also generate advertising revenues unless prohibited under their CRTC conditions of license.

The amount of the subscriber fee is specified in the network's agreement with the BDU and the number of subscribers for a specialty network depends primarily upon pricing, packaging of services, and subscriber preference. A specialty television network's subscriber penetration will also benefit from the extent to which it is packaged or tiered with other popular specialty television networks.

Specialty television networks appeal to advertisers seeking highly targeted demographics. Access to new advertising technology is enabling networks to more precisely target audiences on these networks and the television industry is actively developing these types of offerings for advertisers. The CRTC limits national advertising to 12 minutes or less an hour for specialty television services but does not regulate advertising rates. According to the CRTC, total television advertising revenues in 2016 were approximately \$3.2 billion in Canada. Specialty and pay television networks, along with PPV and VOD, received a 43% share of total television advertising revenues, or approximately \$1.3 billion in 2016, compared to approximately \$1.2 billion or a 40% share of total television advertising revenues in 2015.

Over the past decade, Canadian specialty networks have experienced subscriber growth due to advances in cable-based delivery systems and the growth of DTH satellite services and IPTV providers. According to the CRTC, in 2016 subscriber revenues of \$2.98 billion for discretionary television services, including specialty television, were up 0.5% from \$2.96 billion in 2015.

#### *Production and Distribution*

While some children are now consuming content differently, demand for animated children's programming remains strong. There are numerous television networks around the world that broadcast dedicated children's programming blocks and other programming exclusively for children. Also, over-the-top ("OTT") platforms including content creators and aggregators such as *Netflix*, *Amazon Prime* and *Hulu*, standalone set-top boxes such as *Apple TV*, online video platforms such as *YouTube* and authenticated TV Everywhere platforms on mobile devices are becoming increasingly popular with children.

The Canadian production industry has enjoyed growth over the past decade, expanding at a Compound Annual Growth Rate ("CAGR") of 3.7%. Total Canadian production revenue was \$7.1 billion in 2015, with children's animation accounting for \$219 million of that figure<sup>1</sup>. The expansion of OTT platforms and the related growth in viewing is increasing demand from distributors that focus on children's content. As such, the platforms represent an important category of buyers for children's content. North American OTT revenue is expected to grow by 9.4% (CAGR) and Global OTT revenue is expected to grow by 11.6% (CAGR) between 2016 and 2021<sup>2</sup>. The popularity of lifestyle content is also leading to increased demand from global distributors, both in terms of programming and licensing of formats.

<sup>1</sup> CMPA Profile 2016

<sup>2</sup> PWC Global Entertainment and Media Outlook 2017 - 2021

### *Merchandising*

The sale of licensed entertainment merchandise is a multi-billion dollar industry. According to industry market data, in 2016, Global retail sales of licensed goods was \$152 billion USD in the United States and Canada, with total global retail sales of \$263 billion USD. Characters and Entertainment was the most dominant category<sup>1</sup>.

### *Publishing*

According to industry market data, global professional, consumer and educational book publishing sales are expected to remain relatively flat, growing by 1.1% CAGR<sup>2</sup> between 2016 and 2021. In the U.S. market, book revenue is expected to increase by 1.0% CAGR from \$38 billion to \$40 billion USD<sup>2</sup> between 2016 and 2021. In the Canadian market, book publishing between 2016 and 2021 is projected to grow by 2.0% CAGR<sup>2</sup>.

### *Animation Software*

Concurrent with advancements in technology, animation software is now broadly available, from home users to creative professionals. Demand for animated content and therefore, animation software, has increased with growth in the number of television networks and OTT platforms dedicated to animated content.

### *Digital Technology*

Technology is driving more consumer change today than ever before by allowing consumers to access content anywhere, anytime. Mobile platforms, from smartphones to tablets, are growing quickly. The applications market offers new business models for new media and social networks, and has become a driving force in marketing, community and communications.

A trend in the television sector is the introduction of innovative products and services tailored to the digital environment. TV broadcasters and BDUs have turned to mobile platforms, commonly referred to as "TV Everywhere" platforms, to increase the value proposition of traditional television and reduce the amount of "cord cutting", which is when customers drop their television subscription in favour of accessing content through OTT, over-the-air or other on-demand services. TV Everywhere platforms allow television customers to access content through internet-based services such as apps.

## **Competitive Conditions**

### *Advertising revenues*

According to the CRTC, in 2016, Canadian discretionary television services, including specialty television networks, collectively generated \$1.3 billion of advertising revenues and Canadian privately-owned conventional television stations collectively generated \$1.6 billion of advertising revenues. Total TV advertising revenues in Canada were \$3.2 billion in 2016. Corus competes for advertising revenues not only with other conventional stations and specialty networks but also with other forms of media including digital, print, radio and outdoor. Digital advertising has grown significantly and now accounts for the largest share of advertising spending in Canada.

### *Subscriber revenues*

The CRTC reported that in 2016, Canadian discretionary television services, including specialty television networks, collectively generated \$3.0 billion of subscriber revenues. Competition among specialty television networks in Canada is highly dependent upon the offering of discounted or new customer prices; marketing and advertising support; and other incentives to BDUs for carriage. These offers and incentives are designed to favourably position and package the services to subscribers so as to ultimately achieve higher distribution levels. Increasingly, the Corus television networks are competing with OTT players that are not regulated by the CRTC. OTT platforms have gained traction in Canada and are impacting specialty television networks by increasing competition for programming and subscribers. Corus' television services also compete with a number of foreign programming networks that have been authorized for distribution in Canada by the CRTC such as TLC, A&E and AMC. Regulatory changes were implemented in 2016 as a result of the CRTC's "Let's Talk TV" process which may impact the competitive landscape. Refer to the Canadian Radio-television and Telecommunications Commission section for details on the regulatory changes.

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<sup>1</sup> Licensing Industry Merchandisers' Association, LIMA Annual Global Licensing Survey 2017

<sup>2</sup> PWC Global Entertainment and Media Outlook 2017 - 2021

### *Programming expenditures*

Programming costs are the largest expense for Corus' television business. The Company strategically manages its spending to maximize the return on investment for its programming investments. A number of long-term agreements are in place with Corus' media and channel partners to secure programming for its television services. In addition, the Company produces owned content for use on its television networks and for sale in the international marketplace.

### *Content Production and Distribution*

The market for the production and distribution of television, books and other media content is competitive. There are numerous domestic and international suppliers of media content, including vertically integrated major motion picture studios, television networks, independent television production companies, toy companies and children's book publishers. Many of these competitors are significantly larger than Corus and have substantially greater resources, including easier access to capital. Corus competes with other television and motion picture production companies for ideas and storylines created by third parties, as well as for actors, directors and other personnel required for a production.

Further, vertical integration of the television broadcast industry worldwide, and the creation and expansion of new networks, which create a substantial portion of their own programming, have decreased the number of available timeslots for programs produced by third-party production companies.

On the other hand, many new digital competitors have entered the market, creating growth in demand from OTT platforms and creating new revenue streams for content creators globally. As a vertically integrated media and content company, Corus produces high-quality content which is distributed on its own portfolio of brands as well as sold to international buyers. This is enabled by Corus' extensive relationships with both the production community and global distributors of content.

### *Publishing*

Canadian book publishers face competitive market conditions. Evolving consumer media habits and an increase in entertainment options is resulting in greater competition for share of leisure time, and for consumers' discretionary spending dollars. Additionally, ongoing consolidation of the industry tends to favour large multinational corporations that realize significant economies of scale. While there has been some growth in the number of independent bookstores opening in North America, a small number of distributors account for the majority of sales and their focus is on best sellers. As well, the consolidation of retail outlets in Canada has meant less shelf space for Canadian books.

### **Business Overview and Operating Strategy**

In addition to concluding the integration of Shaw Media in fiscal 2017, Corus completed several strategic moves that were aligned with the advancement of its strategic priorities as outlined in the Strategic Priorities section of this document.

On November 10, 2016, in partnership with A&E, Corus launched the History Vault Canada app, a direct-to-consumer subscription video-on-demand service.

On December 12, 2016, Corus further enhanced its position in the lifestyle specialty television segment by launching Cooking Channel (Canada).

On April 4, 2017, the Company's Kids Can Press subsidiary entered into the young adult book market with the release of the first two of its titles from the new KCP Loft imprint.

On June 8, 2017, Corus expanded its relationship with The Walt Disney Studios through a new multi-year licensing agreement for the Canadian broadcast rights to the *Star Wars* film franchise. The agreement includes five of the six original classic *Star Wars* films, the Canadian network premieres of *Star Wars: The Force Awakens* and *Rogue One: A Star Wars Story*, plus *Star Wars: The Last Jedi* which is slated for theatrical release in December 2017 and the yet-to-be-released standalone Han Solo movie. *Star Wars: A New Hope*, was licensed through a separate agreement with 20th Century Fox.

Corus has seven of the top 10 specialty channels for adults aged 25 – 54, seven of the top 10 specialty channels among women aged 25 – 54 and seven of the top 10 specialty channels for kids aged 2 – 11<sup>1</sup>.

Corus uses the breadth of its brand portfolio to obtain favourable and cost effective access to programming rights for its television and digital properties. This is particularly important when securing rights to programming from global content suppliers. By maintaining key relationships with major U.S. studios and content producers, Corus advances its objective of securing high-quality programming for all of its platforms.

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<sup>1</sup> Numeris - TV Meter - Consolidated - Total Canada - Broadcast Year 2016-2017 (8/29/2016 to 8/27/2017) - M-Su 2a-2s - Excludes Sports but includes Treehouse & Disney Jr.

Corus also maintains strong relationships with a number of Canada's most prominent and experienced independent producers in order to secure its supply of Canadian content. Corus develops and commissions original Canadian programming in the drama, documentary/factual, kids and lifestyle genres for distribution through all of its platforms and, in some cases, through syndication. Corus seeks to own more of its original content so that it can also be sold internationally. Original commissioning for the television segment is centralized, enabling decision-making to be made on a portfolio basis to optimize Canadian content programming for Corus' brands and channels.

The majority of Corus' advertising revenue is derived from annual commitments from major advertising agencies. Advertising revenues are typically higher during the fall and spring, coinciding with the launch of new programming and season finales, and lower during the summer months, whereas expenses are incurred more evenly throughout the year.

The Company seeks to optimize its advertising revenues through bundled cross-platform and cross-brand sales on a local, regional and national basis. To optimize subscriber revenues, the Company strives to provide its distributors with strong, differentiated brands and content that have the potential to attract and retain subscribers. Furthermore, Corus has the ability to reinforce its scale and scope by promoting its own channel brands and programming across the Company's channels and digital platforms.

As advertising models and technologies evolve, the ability to precisely target key demographics is becoming increasingly important to the advertising industry. The acquisition of Shaw Media and the formation of a dedicated Data Analytics and Advanced Advertising team is expected to support the Company's efforts to increase its share of the advertising market.

The Shaw Media acquisition has enabled the Company to enhance its presence in evolving video-on-demand (VOD) advertising models, with a strong VOD presence. This complements the Company's track record of monetizing its owned content portfolio through distribution agreements with domestic OTT and international cross-platform providers.

### **Conventional Television Stations**

#### Business Overview

Corus operates the Global Television network of conventional stations located in Vancouver, Kelowna, Edmonton, Calgary, Lethbridge, Saskatoon, Regina, Winnipeg, Toronto, Montreal, Saint John and Halifax, as well as three additional conventional stations in Eastern Ontario, for a total of 15 conventional television stations in markets across Canada.

#### *Global Television and Global News*

Global television stations operate in the "Conventional" broadcast sector, which includes government-owned public networks, such as the Canadian Broadcasting Corporation, as well as privately-owned station groups and networks that are available over-the-air to most Canadian households. The Global Television network has wide-coverage across Canada and is included in the new basic television packages offered by the BDUs as part of the policy/regulatory changes implemented by the CRTC in 2016.

Global News is both a stand-alone news brand and an integral part of the overall Global Television brand. On average, Global News reaches approximately 9.2 million viewers per week nationally<sup>1</sup>, and it is the top news program for adults aged 25 – 54 in all timeslots in Vancouver, Calgary and Edmonton (excluding noon news in Calgary)<sup>2</sup>. *Global National* is the only major daily national newscast to air during the dinner hour. With news bureaus and correspondents in every major Canadian city as well as Washington, D.C., and London, England, *Global National* provides Canadians with in-depth analysis and perspective on important national and international events.

#### *Small Market Local Television Stations*

Corus also operates three local conventional television stations in Ontario serving Kingston, Peterborough and Durham. These stations are committed to reflecting the local community they serve through news, weather, sports and community event coverage. As of September 2016, the stations started broadcasting Global National's newscasts and have access to additional news coverage on their stations.

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<sup>1</sup> Numeris PPM Data - Broadcast Year (8/29/2016 to 8/27/2017), Total Canada, Individuals 2+

<sup>2</sup> Numeris PPM Data - Broadcast Year (8/29/2016 to 8/27/2017), Total Canada, Adults 25-54

## Operating Strategy

Reaching over 16 million viewers every week<sup>1</sup>, Global Television provides Canadians with a robust lineup of entertainment and news delivered across platforms. In addition to offering Canadians comprehensive news coverage at the local and national level, Global attracts audiences with a roster of hit series, including the *NCIS* and *Chicago* franchises, innovative new formats and original programming.

Additionally, Global's local television stations share a number of markets with Corus radio stations. This complementary fit of local television and radio offers opportunities for content sharing, cross-promotion and advertising bundling.

With consumer media habits evolving, Global continues to enhance its digital footprint, delivering its television brands on digital and mobile platforms through a portfolio of websites and apps. Global continues to provide innovative storytelling with its app, Global Go and online platform, Globalnews.ca, one of Canada's fastest growing news websites. Global Go allows viewers to watch live TV, and full episodes, clips and video exclusives on demand on iOS and android mobile devices. Global Go averages 200,000 unique visitors per month<sup>2</sup>, and at the end of fiscal 2017, Global Go had been downloaded 2.8 million times. These products generate revenues through fees paid by BDUs that offer the products to their subscribers and through the sale of digital video advertising.

Global News continues to pursue a strategy that reflects how consumers are consuming news content. Globalnews.ca enables Canadians to access Global News coverage where and when they want, through the web, mobile devices, e-mail alerts, RSS feeds and social media. On average, Globalnews.ca reaches over 9.5 million unique visitors per month<sup>3</sup>, and the site incorporates native content advertising opportunities that give advertisers new ways to engage with the Global News audience.

## **Specialty Television**

### Business Overview

Corus' specialty television networks operate in the "Discretionary Services" segment as defined by the CRTC regulations, which include services providing programming such as news, arts, children's, drama, lifestyle and entertainment programming. Corus owns a total of 45 specialty television networks. While the portfolio is highly complementary, each brand has a distinct programming focus within the children's, lifestyle, documentary/factual, drama or news genres, or a mix of these.

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<sup>1</sup> Numeris PPM Data - Broadcast Year (8/29/2016 to 8/27/2017), Total Canada, Average Weekly Reach (000), Individuals 2+

<sup>2</sup> comScore Mobile Metrix, 3-month average ending May 2017, Base: Total Canada, All Locations, 2+ digital audience for uvs and Adobe Analytics, 3-month average ending May 2017, Base: 2+ digital audience for video starts.

<sup>3</sup> comScore Media Metrix, Multi-Platform data, 3-month average ending July 2017, Base: Total Canada, All Locations, 2+ digital audience.

As at November 16, 2017, Corus operated the following specialty television networks:

Specialty Channel	% Economic Interest	Summary Description
ABC Spark	100%	ABC Spark connects and entertains young adults through relatable shared experiences and stories told with a modern mix of diversity, passion, humour and heart. Home of hit shows as well as great movies.
Action	100%	Provides a combination of full-length action movies and television programs intended to thrill audiences with heroes and high stakes
BBC Canada	50% <sup>(1)</sup>	Operates in partnership with BBC Worldwide and features a wide variety of Canadian and British comedies, dramas and lifestyle series, both classic and new programming
BC 1	100%	24-hour, all news channel that provides breaking news, top headlines, weather, traffic and coverage of community events and happenings that shape British Columbia
Cartoon Network Canada	100%	Cartoon Network breaks from the everyday and provides more resonant entertainment experiences through relevant, boundary-breaking, multiplatform content. It's a lifestyle brand that's about what kids want, not adults and is dedicated to kids aged 6 – 11
Cooking Channel Canada	71% <sup>(2)</sup>	As of December 12, 2016, this service launched as Cooking Channel Canada, a 24-hour network that caters to avid food lovers. It's the answer to a growing appetite for more content devoted to food and cooking in every dimension; from global cuisines to international travel, to food history and unconventional how-tos. Cooking Channel Canada is an extension of Corus' long-term relationship with Scripps Networks Interactive. (Prior to December 12, 2016, this service was W Movies)
Cosmopolitan Television	54% <sup>(3)</sup>	Fun, irreverent entertainment for women, with programming that runs the gamut from comedy to drama to relationships and reality programming geared to women
CMT Canada	80%	CMT Canada features funny, light hearted programming that includes a mix of hit comedies, movies and late night talk shows
Crime + Investigation	100%	Features a mix of leading current suspense and crime drama franchises, as well as unscripted series and programs related to crime investigation and mystery
DejaView	100%	Airs television classics from the '60s, '70s and '80s
Disney Channel Canada	100%	Disney Channel is a 24-hour kid-driven, family-inclusive television network that taps into the world of kids and families through imagination, laughter and optimism with popular TV shows and original movies, dedicated to kids aged 6 – 14
Disney Junior Canada	100%	Disney Junior offers engaging programming for younger children with magical, musical and heartfelt stories. This is a 24-hour a day network with development-based programming, dedicated to kids aged 2 – 7
Disney XD Canada	100%	Disney XD offers a compelling mix of live-action and animated kids programming, transporting viewers into worlds full of humour, unexpected fun and inspiring action-filled adventures, dedicated to kids aged 6 – 11
DIY Network Canada	67% <sup>(2)</sup>	Serves as one of Canada's go-to destinations for home improvement television, featuring programs and experts intended to assist viewers on everything from small-scale projects to major home renovations
DTOUR	100%	Offers exclusive content intended to provide a fresh perspective on the world through new experiences and engaging personalities

Specialty Channel	% Economic Interest	Summary Description
Food Network Canada	71% <sup>(2)</sup>	Features food-related programming from Canada and around the world, and brings iconic characters together through inspiring food stories, culinary competitions and behind-the-scenes access
FYI	100%	A contemporary lifestyle network that covers a range of experiences reflecting how people live today through diverse lifestyle content
HGTV Canada	67% <sup>(2)</sup>	Focuses on compelling and entertaining stories about the connection people have with their homes by offering programs featuring home renovations, entertainment and advice
Historia	100% <sup>(4)</sup>	A French-language network specializing in programming that brings historical stories from Canada and around the world to life
HISTORY	100%	Specializes in original and acquired programming that brings worldwide and Canadian historical stories to life
H2	100%	Offers a broader view of history across science, technology and popular culture from around the globe
IFC Canada	100%	Offers both award-winning movies and "cult classics" as well as series
La chaîne Disney	100%	A kid-driven, family-inclusive French-language network that taps into the world of kids and families through original series and movies, targeting kids 6 – 14
Lifetime	100%	Offers a mix of scripted and unscripted series and movies featuring Hollywood stars and real-life personalities that provide audiences with opportunities to escape, indulge, laugh and be moved
OWN: Oprah Winfrey Network Canada	100%	Offers a lineup of original series and specials that focus on educating, entertaining, informing and inspiring viewers to live their best lives
MovieTime	100%	Serves as a destination for an extensive collection of contemporary hit and "big-ticket" movies, featuring approximately 250 titles per month
National Geographic Channel Canada	50% <sup>(1)</sup>	Features scientific exploration and adventure programming from around the globe that showcases adventurers, explorers and scientists
Nat Geo Wild	50% <sup>(1)</sup>	A sister network to National Geographic that focuses on wildlife and natural history programming, bringing viewers up close to animals in remote environments and closer to home
Nickelodeon Canada	100%	Nickelodeon features all-time favourite Nick shows plus never-seen-before shows and live special events. Nick is a destination for side-splitting, kid-friendly fun, dedicated to kids aged 6 – 11.
Séries+	100% <sup>(4)</sup>	A French-language channel that offers a wide range of popular Canadian and American programs, original series, as well as exclusive foreign programming
Showcase	100%	Canada's leading drama network includes must see drama series, original Canadian programming and blockbuster movies
Slice	100%	Powered by exclusive Bravo series and buzzworthy personalities, Slice offers the perfect escape for women
Sundance Channel Canada	100%	Offers a lineup of award-winning, diverse and engaging titles, featuring the best in feature films, festival-selected shorts, documentaries and original series

Specialty Channel	% Economic Interest	Summary Description
Telelatino (including: TLN, EuroWorld Sport, Mediaset Italia, Sky TG24 Canada, TeleNiños, Univision Canada, Telegimbi)	50.5%	A group of ethnic specialty television networks that offer general interest domestic and international programming in Italian, Spanish and English languages
TELETOON/ TÉLÉTOON	100%	TELETOON is a cartoon-crammed network that delivers comedy, unexpected surprises and action through animated series and hit blockbuster movies targeted to kids aged 6 –11 TÉLÉTOON is a French-language channel extension of the English-language channel TELETOON, featuring a wide range of animation programming in all forms for kids and young adults
Treehouse	100%	Treehouse represents quality television that is 100% devoted to pre-school children from breakfast to bedtime. Delivering a balance of educational, imaginative and entertaining programs, Treehouse provides high-quality children's series from Canada and around the world, dedicated to kids aged 2 – 6.
W Network	100%	The home of great dramatic storytelling for women, W offers compelling drama series, blockbuster movies and original programming
YTV	100%	As Canada's first dedicated network for Kids, YTV embraces its' role in all things funny for families. YTV's comedy lineup is supported by a brand voice that has a mandate to surprise and delight. The network is dedicated to kids aged 6 –11

<sup>(1)</sup> Voting interest is 80%

<sup>(2)</sup> Voting interest is 80.2%

<sup>(3)</sup> Voting interest is 67%

<sup>(4)</sup> On October 18, 2017, the Company announced that it had reached agreement with Bell Media to sell Historia and Series+. The sale is pending approval by the Canadian Radio-television and Telecommunications Commission and the Competition Bureau.

### Operating Strategy

The growth strategy for Corus' specialty television networks focuses on building a portfolio of strong brands and content that engages audiences and is accessible across brand platforms.

Corus is a market leader in specialty television, with a portfolio of 45 networks that benefit from the Company's ability to obtain and deploy content across its portfolio of television services. With this large portfolio encompassing the kids, women, drama, lifestyle, family, news and general entertainment categories, the Company offers a broad choice of advertising solutions and bundling opportunities, with an efficient platform for cross-promotion.

Corus has optimized its kids brands to provide viewers with a range of differentiated services, each targeted to specific ages and stages of their lives. This portfolio approach enables Corus to strategically deploy its programming across the kids services in order to maximize the return on its content investments. In fiscal 2016, Corus further strengthened its position in the kids and family category by launching four Disney channels – Disney Channel Canada, Disney XD Canada, Disney Junior Canada and La chaîne Disney. The Company operates seven of the top 10 kids channels<sup>1</sup>. Internal research reveals that Corus Kids' portfolio of services reaches 95% of Canadian kids ages 2-11 and approximately 9 out of 10 moms with kids under 12 each year<sup>2</sup>. Television is viewed by parents as quality family time, and it's one of the top three activities that they enjoy with their children, which resonates with advertisers seeking to access this audience.

<sup>1</sup> Numeris PPM Data - Broadcast Year (8/29/2016 to 8/27/2017), Total Canada, Ind. 2+

<sup>2</sup> Numeris PPM Data - Broadcast Year (8/29/2016 to 8/27/2017), English Canada, CumeRch%, C2-11, Corus Kids english Station Mo-Su 2a-2a

In the Women's category, Corus is recognized for its expertise in marketing to women and has achieved a leadership position in Canada via its differentiated scale. Corus uses research-based insights to deliver content that attracts audiences across its portfolio of complementary drama and lifestyle brands. This is important because the Company's internal research indicates that approximately 90% of household purchase decisions are made by women across an array of categories, from consumer packaged goods to financial institutions.

Corus has relationships with some of the most influential media companies in the world, including The Walt Disney Company; Viacom Inc.; A+E Networks; AMC Networks Inc.; CBS TV; Discovery Communications, Inc.; FOX Broadcasting Company; Harpo Productions, Inc.; NBCUniversal Media, LLC.; SONY Pictures Entertainment, and leading United States and international channel partners, including Scripps Networks Interactive; the BBC; Hearst Corporation; and National Geographic. These relationships enable Corus to secure high-quality programming for its platforms as well as exclusive access to certain iconic brands for its specialty channel portfolio. On December 12, 2016, Corus launched Cooking Channel Canada in partnership with Scripps Networks Interactive. The Company is focused on supporting its existing relationships and exploring new relationships with other prominent media companies.

Corus continues to explore new platforms to grow audiences. In September 2014, the Company announced a strategic investment in Kin Community, a leading multichannel network for women's lifestyle content on YouTube. The partnership allows Corus to benefit from the combined reach of its brands, as well as jointly develop and utilize short-form premium-branded content. By partnering with Kin's influencers and talent-driven channels, Corus connects women and with women's advertisers in digital platforms such as YouTube and Facebook as well as on its own digital platforms.

Canadians also engage with Corus' brands on digital and mobile platforms through its portfolio of websites. With these websites, Corus seeks to deepen its connection between its brands and viewers beyond the television platform. In addition, Corus ensures its content is also available on other digital platforms, with a suite of TV Everywhere apps for smartphones and tablets that enables audiences to engage directly with its brands to address the evolving needs of viewers. Since June 2015, Corus has rolled out TreehouseGo, YTVGO, WATCH Disney Channel, NickGO, Disney La Chaîne and Disney Junior App. In September 2016, Corus launched a refreshed Treehouse App, a direct-to-consumer subscription video-on-demand service that gives parents and children access to over 1,500 episodes of favourite preschool series.

Corus also lists Global GO and HISTORY GO in its roster of apps. Subscribers are able to access a robust catalogue of content, including live streaming and a full range of episodes. These apps utilize the full spectrum of Corus' digital rights, giving subscribers an interactive and immersive brand experience. Further, Corus announced the official launch of the HISTORY VAULT app in November 2016, a direct-to-consumer subscription video-on-demand service that features hundreds of hours of content within the HISTORY library.

## **Content Business**

### *Business Overview*

Corus creates premium content that is sold in more than 160 countries around the world. Nelvana, the cornerstone of the Company's kids content business, is globally recognized as a leading creator, producer and distributor of children's animated content and consumer products. With the launch of Corus Studios in fiscal 2016, the Company has expanded into a new area of content creation, developing a growing slate of original unscripted lifestyle content targeted to women and families.

Nelvana's award-winning animation studio has developed and produced a roster of world-class properties that include *Babar*, *Franklin*, *Max & Ruby*, *Hotel Transylvania: The Series* and *Mysticons*. The programming is sold to many of the world's leading media companies and digital service providers, as well as being deployed across the Company's own media platforms. The content is distributed through three sales and distribution offices located in Toronto, Canada; Limerick, Ireland and Paris, France.

At August 31, 2017, Nelvana's program library totaled over 4,300 half-hour equivalent episodes, comprising 111 animated television series, 26 specials, 9 animated feature length films and 12 live action series. The Canadian television market accounts for 50% of Nelvana's production and distribution revenues in fiscal 2017, compared to 27% from the U.S. market and 23% from the international market.

Corus Studios is focused on growing its library of owned and/or distributed unscripted lifestyle programming, which is deployed across the Company's media platforms in Canada and sold to many of the world's leading media companies and networks for distribution on their international platforms. Corus Studios introduced 73 episodes of series such as *Masters of Flip*, *Worst to First* and *The Baker Sisters* into the international marketplace in fiscal 2017. The Corus Studios content slate comprised 145 episodes at the end of fiscal 2017. The content is distributed through two sales and distribution offices located in Toronto, Canada and Limerick, Ireland.

Toon Boom is a leader in digital content and animation creation software solutions with a worldwide sales, distribution and support network, selling its products in more than 100 countries. The Company uses this software as part of its content creation process and Toon Boom's other major media clients include The Walt Disney Company, Cartoon Network, Fox, Dreamworks and Ubisoft. Toon Boom carries user-friendly applications catering to studios, creative professionals, home users as well as students, educators and schools.

Kids Can Press is the largest Canadian-owned children's book publisher. Its catalog includes an award-winning list of over 700 picture books, non-fiction and fiction titles for young readers. For over forty years, Kids Can Press has distinguished itself as a publisher of high-quality children's books and continues this tradition with its digital publications, custom publishing partnerships and brand marketing initiatives.

Quay Media Services is a provider of technology service offerings for the television broadcast and production sector. Launched on September 16, 2015, this business leverages the advanced technological capabilities of Corus' largest media and broadcast facility, Corus Quay. Quay Media Services offers a robust suite of services that includes master control play out and signal origination; content delivery, studio and post-production facilities, media asset management and encoding/transcoding; and closed captioning, described video and subtitling for both domestic and international customers.

#### *Operating Strategy*

Corus has made it a priority to own and control more content for use on its own platforms and for sale globally. The Company has built a leadership position in the entertainment marketplace by integrating its specialty television networks with its production, distribution and merchandising businesses. The Company calls this vertically integrated model the "Corus Advantage", as it provides Corus with a competitive advantage and fuels its investment in owned content. The "Corus Advantage" enables the Company to build brands that can not only resonate with Canadians, but also with consumers around the world.

Corus' original productions drive ratings on its specialty television networks and, by owning more original content, Corus can participate more fully in the hits that it creates. Building on this growth strategy, Corus has taken its expertise in kids content creation and distribution at Nelvana and expanded into an additional market segment, launching Corus Studios to develop unscripted lifestyle programming for women and families. The initial slate of Corus-owned lifestyle series is generating sales worldwide and additional seasons of certain of its hit series were added to the slate in fiscal 2017, along with several new properties.

Through Corus Studios and Nelvana, a growing roster of kids and lifestyle content is expected to drive domestic ratings on Corus' specialty channels and enable sales into the content-hungry global marketplace. The Company's owned content allows Corus to participate in the revenue growth in a meaningful way.

Nelvana's merchandising business has achieved recognition and popularity worldwide with its portfolio of brands including *Beyblade*, *Franklin* and *Babar* and emerging properties such as *Mysticons*. Nelvana's merchandising efforts focus on building successful brand extensions and consumer products programs domestically and internationally, covering major product categories including toys, apparel, book publishing and interactive products.

Corus has fostered strong relationships with key global kids partners including Disney, Nickelodeon, Cartoon Network, Sony Pictures Animation, Amazon, Hulu, Netflix, Mattel, Hasbro and Spin Master. The extent and strength of these relationships gives Corus a unique strategic advantage in its efforts to expand its global distribution and merchandising businesses. Investment in new content gives Corus the opportunity to drive revenues by creating its own hit properties for global and domestic consumption.

## **RADIO**

### **Description of the Industry**

In any market where there are at least eight commercial radio stations in English or French, the CRTC allows a single owner to own as many as two AM and two FM stations in that language. In its most recent statistics, CRTC data states that in 2016, there were 711 private commercial radio stations in Canada, of which 82% were FM stations and 18% were AM stations.

The commercial radio industry is dependent upon airtime advertising revenues for economic performance and growth. According to the CRTC, the industry generated \$1.6 billion in revenues in 2016, which was down 1% from the previous year. Radio stations compete for advertising dollars with all forms of media including television, print, outdoor and digital.

Radio is an efficient, cost-effective medium for advertisers to reach specific demographic groups on a local, regional, and national basis. Stations are typically classified by their on-air format, such as news/talk, classic hits, rock, country, and hot adult contemporary ("Hot AC")/classic hit radio ("CHR"). A station's format and style of presentation enables it to target certain demographics in a market. By capturing a specific share of the radio listening audience, with particular concentration in a targeted demographic, a station is able to market its audience to advertisers. Advertisers and stations utilize data published by audience measuring services, such as Numeris, to estimate how many people within particular geographic and demographic markets listen to specific stations. The number of advertisements that can be broadcast without jeopardizing listening levels, and the resulting ratings, is determined primarily by the format of a particular station and the local competitive environment. The number of advertisements that can be broadcast is not regulated.

Numerous global advertising effectiveness studies have identified radio as delivering significant return on investment across all media. This is relevant for local advertisers in particular, as it is an agile medium that enables advertisers to adjust their message quickly and react to the competition. In the car, radio provides significant reach to an engaged audience, even in relation to new technologies.

In 2009, Numeris launched the portable people meter ("PPM") measurement system in major radio markets across Canada including Toronto, Montreal, Vancouver, Calgary and Edmonton. It is a passive electronic device that measures actual listening. The PPM device registers all radio station exposures over a period of time, in any environment and provides more accurate and granular audience tracking data than the paper-based recall diary method.

Radio broadcasters continue to see the importance of new media platforms that work in tandem with traditional radio stations. Listeners want convenience and accessibility (i.e. content whenever and wherever they want it on multiple platforms). Strong local websites exist for each station to offer advertisers an opportunity to complement on-air campaigns with an interactive element. A successful combination of on-air, online and on-site initiatives contribute to increased brand awareness for the radio broadcaster and the advertiser, translating into a rise in ratings and advertising revenues.

Subscription or satellite radio provides a number of channels of programming to listeners for a monthly fee. Two licenses that distribute digital signals via satellite were awarded by the CRTC and launched in 2005. In 2011, the two licensees merged.

Music streaming apps offer listeners ubiquitous access on smartphones, tablets and car audio systems. Furthermore, listeners have the ability to personalize their music content based on their musical preferences. All Corus Radio stations are streamed online in various forms, many of which contribute to the measurable PPM ratings data for each station.

### **Competitive Conditions**

The financial success of each of Corus' radio stations is dependent principally on its share of the overall advertising revenues within its geographic market, its promotional and other expenses incurred to obtain these revenues, and the economic strength of its geographic market. Radio advertising revenues are highly dependent upon audience share of the sought after demographic groups. Audience share is derived from listener interest in on-air talent, music formats and other intangible factors. These factors can be influenced by the competition. Other stations may change programming formats to compete directly with Corus' stations for listeners and advertisers, or launch aggressive promotional campaigns in support of already existing competitive formats. If a competitor, particularly one with substantial financial resources, were to attempt to compete in either of these fashions, ratings at Corus' affected stations could be negatively impacted, resulting in lower net revenues.

Radio broadcasting is also subject to competition from other media. Potential advertisers can substitute advertising through the broadcast television system (which can offer concurrent exposure on a number of networks to enlarge the potential audience); print, outdoor and digital. Competing media commonly target the customers of their competitors, and advertisers regularly shift dollars from radio to these competing media and vice versa. In markets near the U.S. border, such as Kingston, Corus also competes with U.S. radio stations.

Traditional and satellite radio face increased competition from music streaming apps, such as Spotify, Apple Music and

Google Play Music, which compete for listening time with radio and are increasingly present in the car, where a large portion of traditional and satellite radio consumption occurs.

## **Business Overview and Operating Strategy**

### Business Overview

The Company's Radio division is comprised of 39 radio stations (29 FM and 10 AM stations) situated primarily in high-growth urban centres in English Canada, with a concentration in the densely populated area of Southern Ontario.

According to the most recent CRTC data, Corus Radio is the third largest radio operator in Canada in terms of audience tuning. Corus Radio is well positioned in the major PPM markets of Toronto, Vancouver, Calgary and Edmonton, and is also one of the largest news-talk operators in Canada.

Corus Radio's primary method of distribution is over-the-air, analog radio transmission, with additional delivery platforms including HD Radio, websites and mobile apps. Each radio station's content is available to audiences through traditional analog radio receivers at the particular station's licensed frequency on the AM or FM band. Corus Radio also delivers its content online and on mobile platforms through each station's app.

Corus owns a 50% stake in Canadian Broadcast Sales ("CBS"), in partnership with Rogers Media. CBS is the largest national radio sales organization in Canada and their collective market presence reaches 80% of Canada's total population. CBS represents 43 broadcasters and more than 400 radio stations (including repeaters) in 228 Canadian markets.

Corus Radio derives the majority of its revenues from advertising sales. Revenues for fiscal 2017 and 2016 were \$149.2 million and \$155.7 million, respectively.

Revenues from Corus Radio are derived mainly from two types of advertising:

- a) local advertisers that are generally local merchants operating in the trading area encompassed by the station's signal; and
- b) national businesses such as automotive manufacturers, breweries, banks, retailers, fast food chains, and similar operations which develop national advertising campaigns.
- c) The extent to which Corus' advertising revenues are from local or national advertising depends on each given market.

Corus Radio targets a number of demographic groups. The group that garners the most advertiser dollars is Adults 25-54 (A25-54). Corus Radio stations are competitive in the top four most sought after demographically targeted groups: A25-54, A18-49, A35-54 and Females 25-54 (F25-54).

In addition to advertising revenues, Corus Radio derives a smaller portion of its revenues through non-airtime sources. Websites are an essential component of Corus Radio's brand awareness strategy, with loyal listeners that continue to be connected to the station for the music, on-air hosts, events and information-entertainment that is featured on these websites. Corus Radio currently receives approximately 9.5 million visits to its 39 websites each month, with nearly 13.3 million monthly page views. Corus Radio also has 1.5 million Listener Club members across its 39 radio brands.

Corus Radio has a clustering strategy, pairing AM and FM radio stations to the limits allowed by the CRTC, based on the size of the market. Clustering improves operating performance by expanding demographic coverage of the market, thereby providing local and national advertisers with an attractive and efficient medium with which to allocate their advertising dollars. Clustering also provides opportunities to share costs among stations in the cluster, which improves operating margins.

Audio streaming through websites affords the broadcaster and the advertiser a more personal connection with the listener, which is not available through traditional radio. Corus Radio's applications, designed for smartphones, have proven to be very attractive to listeners. More than 8.1 million connections per month are made to Corus Radio stations, with more than 7 million hours streamed per month. More than 450,000 people have downloaded a Corus Radio station app. Corus Radio was the first Canadian broadcaster to launch its seven News Talk stations through Apple Music via a partnership with Apple Canada. In 2017, Corus radio launched all 39 of its streams on the Radioplayer Canada platform which has now surpassed 500,000 downloads.

Driving greater brand loyalty by investing in digital and interactive media to provide more contact points with audiences is a key strategy for Corus Radio. Corus Radio is actively engaged on key social media platforms and has more than 2.57 million followers on Facebook, with a monthly reach of more than 28 million. More than 720,000 users follow Corus Radio's station feeds on Twitter.

### Operating Strategy

Corus believes that radio is a cost effective way for advertisers to reach targeted consumers and delivers a significant and measurable return on investment, both in terms of metrics and actions by consumers. It is not capital intensive and

has a proven business model that creates substantial free cash flow. Additionally, Radio has a higher proportion of fixed costs than variable costs, which results in higher operating leverage.

Corus Radio strives to lead in the market with its target demographic groups and is competitively positioned in local markets in terms of formats, ratings and demographic appeal. Its growth strategy is based on reaching large, local audiences in two major segments: news and information, and music programming targeted to audience segments that have significant spending power. Corus Radio's stations attract audiences that are significant in both the female and male demographics. The division is committed to controlling costs and strives to deliver strong operating margins.

Corus Radio's performance generally reflected the radio industry's overall performance trend in fiscal 2017, which was relatively stable in the East and softer in Western Canada, primarily due to weak economic conditions in Alberta. Corus Radio has responded by focusing on maximizing the potential of each format within their local context, redesigning its sales team and product offering for the current and future environment, and revisiting its cost structure and workflows. Corus Radio has made progress on strengthening its brands and has more initiatives in the works to drive ratings and revenues.

The Company's acquisition of Shaw Media and its Global Television conventional stations plays a critical role in Radio's growth strategy. A number of Global's television stations are located in the same local markets as Corus Radio stations. By combining Corus Radio and Global Television in the markets where they co-exist, Corus can better serve the local markets and use the synergies to grow and enhance business locally. The Global television brand is a highly complementary fit with Corus Radio, creating opportunities for growth through content sharing, cross promotion and advertising bundling.

Corus Radio has also harnessed the news gathering power of Global News to optimize Corus' network of news-talk radio brands. With Global Television's news bureaus and correspondents in every major Canadian city, as well as Washington, D.C. and London, England, providing analysis on important local, national and international events, Corus, as one of the largest news-talk radio operators in Canada, uses this content on its radio stations to drive audiences across its many platforms.

These synergies between Corus Radio and Global are expected to help Radio drive growth in new ways, and position the business well for the long-term.

Corus Radio recognizes that the demand for digital options and interactivity will fuel future success. Corus Radio uses digital media to expand its audience and provide new opportunities to advertisers through various digital formats including apps and strong local websites which complement Corus' radio stations. Corus continues to innovate with new offerings that add value for customers and drive revenue. Corus launched HD Radio offerings on two of its Ontario-based stations in fiscal 2016 and continued to roll-out HD offerings to a total of 8 radio signals and 3 stations. These HD offerings give listeners another touch point to access Corus' radio content. As car manufacturers increasingly upgrade their dashboards with HD Radio capabilities, this will provide listeners with clear and interference-free service. Through ongoing innovations, Corus Radio continues to look for ways to redefine the listening experience and expand its digital footprint through dedicated radio station apps and streaming options that provide audiences with on-air content on-demand, when and where they want.

## **ADDITIONAL INFORMATION CONCERNING CORUS' BUSINESSES**

### **a) Intangible Properties**

Corus uses a number of trade marks, service marks and official marks for its products and services. Many of these brands and marks are owned and registered by Corus, and those trade marks that are not registered are protected by common law. Corus also licenses certain marks from third parties. Corus has taken affirmative legal steps to protect its owned and licensed trade marks, and Corus believes its trade mark position is adequately protected. The exclusive rights to trade marks depend upon the Company's efforts to use and protect these and Corus does so vigorously.

Distribution rights to television programming and motion pictures as well as ancillary rights are granted legal protection under the copyright laws and other laws of Canada, the United States and most foreign countries. These laws impose civil and criminal sanctions for the unauthorized duplication and exhibition of television programming. Corus believes that it takes, and plans to continue taking, all appropriate and reasonable measures to secure, protect and maintain or obtain agreements from licensees to secure, protect and maintain copyright and other legal protections for all of the television programming produced and distributed by Corus under the laws of all applicable jurisdictions.

Corus can give no assurance that its actions to establish and protect Corus' trade marks and other proprietary rights will be adequate to prevent imitation or copying of its filmed and animated entertainment by others or to prevent third parties from seeking to block sales of its filmed and animated entertainment as a violation of their trade marks and proprietary rights.

Moreover, Corus can give no assurance that others will not assert rights in, or ownership of, its trade marks and other

proprietary rights, or that Corus will be able to successfully resolve these conflicts. In addition, the laws of certain foreign countries may not protect proprietary rights to the same extent as do the laws of the United States and Canada.

Corus also licenses copyright materials by way of direct contracting or through blanket licensing regimes. The tariffs for blanket licenses are established by the Copyright Board in Canada. Although the amount of a blanket license is set by this third party regulator, the system provides certainty as to cost and also a modicum of immunity from claims for innocent infringements due to the presumptions of right to use works that flow with the imposition of these tariffs.

The Company operates a comprehensive clearance and rights management system to both protect its rights and to ensure that works that Corus uses have the requisite clearances or licenses from the owners. A key element of contracts for copyright works is the term or time period of the license granted, which in the broadcasting sector can vary, but usually is for a time period such as one to three years. In some circumstances, the time period is combined with a right to only a certain number of "plays" or broadcasts. Rights management in a digital business environment is becoming increasingly complex due to challenges with definitions, semantics and taxonomic issues related to contractual rights.

#### **b) Seasonality and Cycles**

Corus' operating results are subject to seasonal fluctuations that can significantly impact quarter-to-quarter operating results. The Company's advertising revenues are dependent on general advertising revenues and retail cycles associated with consumer spending activity. Based on historical results of the Company, the first and third quarter results tend to be the strongest and the second and fourth quarter results tend to be the weakest in a fiscal year. The Company's merchandising and distribution revenues are dependent on the number and timing of film and television programs delivered as well as the timing and level of success achieved of associated merchandise licensed in the market, which cannot be predicted with certainty. Consequently, the Company's results may fluctuate materially from period-to-period and the results of any one period are not necessarily indicative of results for future periods.

#### **c) Economic Dependence**

Corus' operating results for the Company's broadcasting businesses are not dependent upon any single customer or upon a few customers with respect to advertising and subscription revenues from advertisers and BDUs, respectively.

The Company's regulated properties operate in a competitive environment with both regulated and unregulated competitors. New competition always poses a risk to the Company's revenue streams. The regulatory environment is more fully explained below.

#### **d) Environmental Protection**

Corus' operations are not subject to any environmental protection requirements that would materially impact the capital expenditures, profit or loss and competitive position of the Company. However, broadcasting tower sites are subject to strict standards which the Company adheres to.

#### **e) Employees**

As at August 31, 2017, Corus had approximately 3,330 full-time and part-time employees, of which unionized employees represent 30%. The Company is party to seven collective agreements with three unions: Unifor, the Canadian Media Guild (CMG) and the Canadian Union of Public Employees (CUPE).

The Company's employees have a deep and broad range of specialized skills, expertise and experience in the media and content industry, including television and radio production; financing, sales and marketing; programming content creation, distribution and licensing; newsgathering and reporting; book publishing and media technology services.

#### **f) Foreign Operations**

Approximately 3% of Corus' consolidated revenues for the year ended August 31, 2017 were derived from foreign operations. These consist primarily of revenues from the Company's international content distribution business and merchandising.

#### **g) Lending**

Corus does not have any lending operations as a distinct or significant business. Corus may make loan investments in companies involved in the media sector of up to \$15 million with the approval of the chief executive officer ("CEO") or the chief financial officer ("CFO") and more than \$15 million with the approval of the Board of Directors.

#### **h) Bankruptcy**

There have been no bankruptcies, receiverships or similar proceedings against Corus or any of its subsidiaries within the past three years.

#### **i) Reorganizations**

In fiscal 2015, the Company incurred \$19.0 million of business acquisition, integration and restructuring costs.

In fiscal 2016, the Company incurred \$57.2 million in business acquisition, integration and restructuring costs, the

majority of which are attributable to the acquisition of Shaw Media Inc. on April 1, 2016.

In fiscal 2017, the Company incurred \$32.0 million in business acquisition, integration and restructuring costs, the majority of which are attributable to the integration of the Shaw Media Acquisition.

The Company expects to incur significantly lower integration and restructuring costs in fiscal 2018, the majority of which are anticipated to relate to ongoing system implementation and restructuring costs.

#### **j) Social or Environmental Factors**

Corus is committed to fair dealing, honesty and integrity in all aspects of its business conduct. The Company takes its responsibility to its employees, shareholders and other stakeholders very seriously. The Company's Code of Business Conduct (the "Code") aims to demonstrate to its stakeholders and the public the Company's commitment to conduct itself ethically.

The Code applies to all employees, officers and members of the Board of Directors of Corus and its subsidiary companies as well as to contractors. The Code is available on the Corus Entertainment website at [www.corusent.com](http://www.corusent.com) under the Investor Relations section.

#### **k) Risk Factors**

A discussion of risks affecting the Company and its business is set forth under the heading "Risks and Uncertainties" in the Management's Discussion and Analysis for the year ended August 31, 2017, as contained in the Company's 2017 Annual Report, which discussion is incorporated by reference herein. In addition, the Company is subject to the risks and uncertainties set forth below in the discussion of the Canadian communications industry's regulatory environment.

These descriptions of risks do not include all possible risks, and there may be other risks of which the Company is currently not aware.

#### **l) Control of Corus by the Shaw Family**

A majority of the outstanding Class A participating shares of the Company are held by Shaw Family Living Trust ("SFLT") and its subsidiaries. As at November 16, 2017, SFLT and its subsidiaries hold 2,885,530 Class A Voting Shares, representing approximately 85% of the outstanding Class A Voting Shares, for the benefit of descendants of JR and Carol Shaw. JR Shaw controls these shares and controls 4,500 additional Class A Voting Shares. The sole trustee of SFLT is a private company owned by JR Shaw and having a board comprised of seven directors, including as at November 16, 2017, JR Shaw as Chair, Heather Shaw, Julie Shaw, three other members of JR Shaw's family and one independent director.

The Class A participating shares are the only shares entitled to vote in all circumstances other than those listed under Capital Structure (ii) Voting Rights. Accordingly, SFLT and its subsidiaries are able to elect a majority of the Board of Directors of Corus and to control the vote on matters submitted to a vote of Corus' Class A participating shareholders.

## **CANADIAN COMMUNICATIONS INDUSTRY - REGULATORY ENVIRONMENT**

### **Canadian Radio-television and Telecommunications Commission ("CRTC")**

Under the *Broadcasting Act* (Canada), the CRTC is responsible for regulating and supervising all aspects of the Canadian broadcasting system with a view to implementing broadcasting policy objectives set forth in the *Broadcasting Act*. The regulations, policies and decisions of the CRTC can be found at [www.crtc.gc.ca](http://www.crtc.gc.ca).

Changes in the regulation of Corus' business activities, including decisions by regulators affecting the Company's operations (such as the granting or renewal of licenses; decisions as to the rights to programming licenses to competitors in the Company's markets) or changes in interpretations of existing regulations by courts or regulators, could adversely affect the Company's results of operations. The Company's CRTC licenses must be renewed from time to time and cannot be transferred without regulatory approval.

As the introduction of digital technology is changing the technical infrastructure of entertainment and information consumption, the CRTC has adopted a new framework for regulation of television.

The CRTC has also introduced policies related to vertically integrated companies that are BDUs which speak to matters such as undue preference and other carriage issues.

In 2010, the CRTC also adopted a "group based licensing" approach for the renewal of the television licenses of larger groups such as Corus. This established a framework of policy and regulation that is applied on a group basis rather than on an individual licensee.

A series of policy statements in 2015 and 2016 and substantive decisions from the CRTC, under the overall mantle known as "Let's Talk TV", have introduced several changes to the regulatory framework governing BDUs and Broadcasting

## Undertakings.

The reader should review the CRTC source documents at [www.CRTC.gc.ca](http://www.CRTC.gc.ca) for a complete understanding of the changes.

The Commission grouped all services into three license categories: basic; discretionary; and on-demand services.

Effective March 1, 2016, BDUs were required to offer an entry level basic service of local broadcast stations and certain mandatory distribution specialty services at a maximum price of C\$25 retail a month, and to offer all discretionary services on an à la carte basis, or “build your own package” or in theme pack packages of 10 services. On December 1, 2016, BDUs were required to fully implement à la carte for discretionary services.

The Commission standardized and reduced for the next license term Canadian Content exhibition requirements for both basic television and discretionary services.

Although the CRTC maintained simultaneous substitution rights for basic television, it decided on prohibiting simultaneous substitution opportunities solely for the Super Bowl show starting in 2017. This ban has been subject to a legal challenge by the Canadian rights holder network CTV and the NFL league since August 2015. The Federal Court dismissed the appeal on the basis that it was premature. The CRTC had not issued at the time its formal order prohibiting simultaneous substitution during the Super Bowl. In August 2016, the CRTC formalized its policy and issued a broadcasting order that prohibits simultaneous substitution for the Super Bowl. Both Bell Media and the NFL league filed a new appeal in September 2016 following the issuance of the CRTC order and on November 2, 2016, the Federal Court granted leave to appeal but denied a Bell Media request for a suspension of the policy pending its decision. On August 1, 2017, Bell Media filed a request to the CRTC to rescind this policy.

During the weeks of November 22, 2016 through December 2, 2016, the CRTC held public hearings concerning the renewal of the Group Based television licenses held by the large English- and French-language ownership groups including Corus. On May 15, 2017, the CRTC issued its license renewal decisions. All Corus English-language and French-language television services were given new five-year license terms, which began on September 1, 2017 and will end on August 31, 2022. The key issues arising from these decisions include the Canadian Programming Expenditure (CPE) requirements and expenditure towards programming of public national interest which for the first time have been standardized across all of the large English market media groups. CPE requirements were set at 30% and programs of national interest requirements were set at 5%. The CRTC also removed the vestiges of legacy conditions of license in accordance with the Commission's Let's Talk TV policy.

Following the Group Based License (GBL) renewal decisions in May 2017, a number of parties in the creative community, including the CMPA, ACTRA, the Writers Guild and the Directors Guild, AQPM, the Québec Minister of Culture and Communications, and others appealed the decisions to Cabinet. In particular, these groups focused on the level of expenditure obligations toward programming of public national interest and contributions to original French-language programming.

On August 14, 2017, the Privy Council Office issued an Order In Council (“OIC”) requiring the Commission to reconsider the GBL decisions for the television services of large English- and French-language ownership groups. The issues to be reconsidered include expenditure toward programs of national interest, music programming, short films and short-form documentaries, and ensuring significant expenditures toward original French-language programming and music programming.

On August 30, 2017, the CRTC requested the large media groups to file information and/or amend their original applications in light of the OIC. The rehearing is expected sometime in 2018 with decisions to be issued prior to the 2018-2019 broadcast year. The CRTC clarified that for the 2017-2018 broadcast year, the May 2017 GBL decisions will apply without modification.

The potential outcome of this process is difficult to predict and as such, Corus is unable to quantify the potential impacts at the present time.

More information can be found at [www.crtc.gc.ca](http://www.crtc.gc.ca).

## **Innovation, Science and Economic Development Canada (formerly Industry Canada)**

The technical aspects of the operation of radio and television stations in Canada are also subject to the licensing requirements and oversight of Innovation, Science and Economic Development Canada (“ISED”), a Ministry of the Government of Canada. More information can be found at [www.ic.gc.ca/eic/site/icgc.nsf/eng/home](http://www.ic.gc.ca/eic/site/icgc.nsf/eng/home).

On August 14, 2015, the Government of Canada confirmed its intent to proceed with repurposing some of the 600 MHz spectrum band and to jointly establish a new allotment plan in collaboration with the United States. ISED has aligned with the US Federal Communications Commission to participate in a spectrum redistribution plan that will require broadcasters to vacate spectrum in TV channels 37-51 (608-692 MHz), as that will be consumed by mobile use. Accommodating this

change will require Corus to install new equipment or reconfigure existing equipment at affected sites and may have an impact on signal quality and coverage. ISED has not yet decided whether broadcasters will be reimbursed for their costs of facilitating this transition, stating that this decision is the first step in a multi-year repurposing process. Corus is working with the Canadian Association of Broadcasters on getting funding from the proceeds of the spectrum auction to pay for costs related to repurpose 600MHz spectrum.

### **Restrictions on Non-Canadian Ownership**

The legal requirements relating to Canadian ownership and control of broadcasting undertakings are embodied in a statutory order (the "Order") from the Governor in Council (i.e. Cabinet of the Canadian federal government) to the CRTC. The Order is issued pursuant to authority contained in the *Broadcasting Act*. Under the Order, non-Canadians are permitted to own and control, directly or indirectly, up to 33 1/3% of the voting shares and 33 1/3% of the votes of a holding company which has a subsidiary operating company licensed under the *Broadcasting Act*. In addition, up to 20% of the voting shares and 20% of the votes of the operating licensee company may be owned and controlled, directly or indirectly, by non-Canadians. The Order also provides that the Chief Executive Officer and 80% of the members of the board of directors of the operating company must be resident Canadians. In addition, where the holding company is less than 80% Canadian-owned, the holding company and its directors are prohibited from exercising any control or influence over the programming decisions of a subsidiary operating company. There are no restrictions on the number of non-voting shares that may be held by non-Canadians at either the holding company or licensee operating company level. The CRTC, however, retains the discretion under the Order to determine as a question of fact whether a given licensee is controlled by non-Canadians.

The Company's articles currently give its Board of Directors the authority to restrict the issue, transfer and voting of its Class A participating shares and the transfer of its Class B non-voting participating shares for the purpose of ensuring that Corus remains qualified to hold or obtain licenses to carry on any broadcasting or programming business.

### **Broadcasting Services**

Corus' radio stations and basic (previously known as conventional television) undertakings, and discretionary (previously known as specialty and pay) television services are subject to licensing and regulation by the CRTC. The *Broadcasting Act* gives the CRTC the power to issue and renew broadcasting licenses for a maximum term of seven years. Historically, all licenses issued by the CRTC have been consistently renewed except where there have been serious breaches of license conditions or regulations, in which case the licenses have been renewed for less than seven years, or, in a very limited number of instances, not at all. In order to conduct its business, Corus maintains its licenses in good standing. The CRTC has never declined to renew a license held by any broadcasting undertaking in which Corus holds an ownership interest. In light of the increasingly fast pace of change within the broadcasting system, the CRTC recently renewed the large English and French Language groups, including Corus for a five year term.

Licenses issued by the CRTC generally set out the terms and conditions of the broadcaster's program offering, including Canadian content expenditures and signal delivery terms for Corus' basic and discretionary networks. All new discretionary services must now launch with an exempt status and apply for a license upon reaching certain subscriber thresholds. The CRTC also imposes restrictions on the transfer of ownership and effective control of all licensed broadcasting undertakings. Transferees of ownership or control of a licensed undertaking must demonstrate to the CRTC that the transfer is in the public interest, and the purchaser is required, in some instances, to provide a specific package of tangible benefits designed to benefit the Canadian broadcasting system. For transfer of ownership applications involving profitable radio stations, tangible benefits are required to represent a financial contribution equal to 6% of the purchase price and for acquisitions of basic television, or discretionary television services, a financial contribution of 10% of the value of the transaction is expected. In recent decisions, the CRTC has taken a broad definition of what the "purchase price" is. A purchaser is also required to demonstrate how the purchase is considered to be in the public interest.

The CRTC's regulations that apply to radio, basic and discretionary television services require these broadcasting undertakings to obtain the prior approval of the CRTC in respect of any act, agreement or transaction that, directly or indirectly, would result in (i) a change in the effective control of a broadcasting undertaking; or (ii) a person together with any associate acquiring control of 30% or more of the issued voting securities, or 50% or more of the common shares, of a broadcasting undertaking or (iii) of a person that has, directly or indirectly, effective control of that broadcasting undertaking. The Commission has augmented these tests through its "Diversity of Voices" policy, which allows it to examine a transaction if certain market share thresholds are met. (Please refer to Broadcasting Public Notice CRTC 2008-4 January 15, 2008.)

## Radio Undertakings

The CRTC no longer regulates the formats of commercial FM radio stations except in the case of "specialty" radio licenses which, by definition, require that (i) the language of broadcast is neither French nor English; (ii) more than 50% of the programming is spoken word; or (iii) less than 70% of the musical selections broadcast are not pop, rock, dance, country or country-orientated selections. For non-specialty format English-language FM stations located in Montréal and Ottawa Gatineau, the CRTC continues to require that less than 50% of the musical selections broadcast each week be "hits" which are defined as "any musical selection that, at any time, has reached one of the Top 40 positions in any of the charts recognized by the CRTC".

On April 30, 1998, the CRTC announced certain changes to its commercial radio policy. By regulation, the CRTC increased Canadian popular music content levels broadcast to 35%. For French-language radio stations, at least 65% of popular, vocal music selections must be in the French language. The CRTC also changed ownership restrictions on the number of stations that could be owned within a particular market. The ownership changes allow a single owner to operate up to three stations provided only two are in the same band, in a given language in smaller markets and, in markets with eight or more commercial stations in a given language, one owner may hold up to two AM stations and two FM stations. In assessing transactions involving a change in control or ownership, the CRTC has stated it will examine the impact on diversity of news voices, the level of competition and, if the applicant has equity holdings in other local radio stations or media, cross-media ownership levels in a given market. Radio broadcasters derive substantially all of their revenues from advertising revenues. There is no regulatory limit on the number of commercials that can be broadcast. In markets with more than one commercial FM station, FM licensees are required to broadcast at least 42 hours per week of local programming in order to access local advertising.

Since October 2014 (Broadcasting Regulatory Policy CRTC 2014-554), the CRTC has issued public consultations when receiving applications to operate new radio licenses in a specific market unless the market falls under one of the five exceptions. All of these exemptions relate to very small markets or applications for a first service. The public consultations seek comments on market capacity from an economic perspective and whether the introduction of a new radio service will financially impact existing radio services. Once the CRTC determines that a market has the capacity to support a new radio station it then proceeds to issue a call for applications. Since initiating this new process, the CRTC has elected not to issue calls for applications in the majority of cases on the grounds of market incapacity, including in the markets of: Ottawa, ON/Gatineau, QC; Brampton, ON; Aurora, ON; St. John's, Nfld; Sudbury, ON; Kentville, NS; and Hamilton/Burlington, ON.

In 2014, the CRTC conducted a targeted review of the 2006 commercial radio policy. The targeted policy review introduced new financial penalties for radio stations that are repeatedly found in breach of regulations and/or conditions.

## Basic and Discretionary Television Networks Undertakings

Discretionary television services have Canadian programming expenditure ("CPE") requirements set by a condition of license. These obligations, which previously varied by service dependent on a number of legacy factors, became standardized in new May 2017 licenses. The new CPE was set at 30% for all English-language groups. For the French market individual group CPE requirements were established by conditions of license that came into effect September 1, 2017.

Discretionary services derive substantially all of their revenues from subscription and advertising revenues. The maximum wholesale subscriber fee that can be charged to subscribers for the carriage of the service is regulated if it is carried as part of the basic service, but is not regulated if it is carried on a discretionary basis. Subscriber fees payable to discretionary licensees are also governed by the CRTC's Wholesale Code.

Basic television services now have conditions of license related to minimum hours for locally reflective news content and locally reflective news expenditure requirements that came into effect on September 1, 2017. The Canadian Content levels are standardized through regulations.

For further information, please consult the CRTC web site at [www.crtc.gc.ca](http://www.crtc.gc.ca).

## Canadian Content Requirement for Broadcasters

As mentioned previously, Canadian basic television services, and discretionary television service are required through regulations to devote a certain amount of their programming schedules to Canadian Content productions. These requirements provide support for Canadian programs (such as the ones produced through Nelvana) as long as they qualify as Canadian Content programs, for purposes of the Canadian Audio Visual Certification Office ("CAVCO"), or are certified as a Canadian Content program by the CRTC.

CAVCO and the CRTC determine the criteria for qualification of a program as "Canadian". Generally, a program will qualify if it is produced by an individual Canadian producer with the involvement of individual Canadians in principal functions,

and where a substantial portion of the budget is spent on Canadian elements. In addition, the Canadian producer must have full creative and financial control of the project.

Canadian Content obligations were standardized in new regulations that came into effect on September 1, 2017.

### **Film, Television, and Interactive Digital Media Tax Credits and Grants**

Various federal and provincial tax credits are available for qualifying productions of television series and feature films and typically provides on average, benefits of 30% of the Canadian production budget. These tax credits are calculated on the basis of each individual production. Additional funding for its productions of television series, feature films and interactive digital products are also available from various Canadian industry funding sources, including the Canadian Media Fund and Telefilm Canada.

### **International Treaty Co-Productions**

Canada is a party to co-production treaties with many countries throughout the world, excluding the United States. These international co-production treaties allow for the reduction of the risks of production by permitting the pooling of creative, technical and financial resources of Canadian producers with non-Canadian producers under prescribed conditions. Canadian co-production treaty partners include France, Great Britain, Germany, New Zealand and Australia. A production that qualifies as a co-production for treaty purposes is considered to be a domestic product in each of the participating countries and, as such, is entitled to many aspects of national treatment in each country. More specifically, the co-production usually qualifies for domestic treatment under applicable broadcasting legislation and certain government incentives. The co-producers jointly hold the copyright in the production. Sharing of foreign revenues is based on the respective contribution of each co-producer, subject to negotiation between the co-producers and approval by the appropriate government authorities. Many of Nelvana's productions are produced through international treaty co-productions.

### **Competition Act Requirements**

The Commissioner of Competition (the "Commissioner") has the authority, pursuant to the *Competition Act* (Canada), to inquire into mergers and apply to the Competition Tribunal for remedial orders, including an order to prohibit the acquisition or require divestitures, from the Competition Tribunal, which may be granted where the Competition Tribunal finds that the acquisition substantially prevents or lessens, or is likely to substantially prevent or lessen, competition in a market. To facilitate the Commissioner's review of mergers, parties to a merger transaction are required to pre-notify the Commissioner of Competition prior to completing the transaction when specified party and transaction-size thresholds are satisfied. The Competition Bureau must generally be given advance notice of a merger transaction if both of the following thresholds are exceeded: (1) the parties, together with their respective affiliates, have assets in Canada or annual gross revenues from sales in, from, or into Canada that exceed \$400 million; and (2) the aggregate value of the assets in Canada to be acquired or the annual gross revenues from sales in or from Canada generated by those assets exceed \$88 million.

The Commissioner can also invoke a two-stage notification and review process, which can serve to prolong the approval process for a transaction.

Ownership transfers of licensed broadcasting undertakings exceeding these financial thresholds thus require the approval of both the CRTC and the Commissioner according to their respective statutory mandates. The two authorities could come to different conclusions on a given transaction. For example, the CRTC could approve a broadcasting company's acquisition of radio stations as being in accordance with its commercial radio policy whereas the Commissioner might conclude that the acquisition would substantially lessen competition in the market or markets under consideration.

For further information, please consult: [www.cb-bc.gc.ca/eic/site/cb-bc.nsf/eng/h\\_00114.html](http://www.cb-bc.gc.ca/eic/site/cb-bc.nsf/eng/h_00114.html) and [www.competitionbureau.gc.ca/eic/site/cb-bc.nsf/eng/01598.html](http://www.competitionbureau.gc.ca/eic/site/cb-bc.nsf/eng/01598.html).

### **Investment Canada Act Requirements**

The *Investment Canada Act* ("ICA") requires each "non-Canadian" (as defined in the ICA) who acquires "control" of an existing "Canadian business", to file a notification in prescribed form with the responsible federal government department or departments not later than 30 days after closing, provided the acquisition of control is not a reviewable transaction under the ICA. Subject to certain exemptions, a transaction that is reviewable under the ICA may not be implemented until an application for review has been filed and the responsible Minister of the federal cabinet has determined that the investment is likely to be of "net benefit to Canada" taking into account certain factors set out in the ICA.

ISED is responsible for reviewing proposed acquisitions of control of Canadian businesses by non-Canadians. However, where the Canadian business is a "cultural business," the proposed acquisition would also be subject to review by the

Minister of Canadian Heritage. Cultural businesses, as defined in the ICA, include those involved in the publication, distribution or sale of books, magazines, periodicals and newspapers, as well as businesses involved in the production, distribution, sales or exhibition of film and video recordings, audio and video music recordings. Radio, television and cable television broadcasting undertakings and any satellite programming and broadcast network services are also considered "cultural businesses" under the ICA, but they are also the subject of other, more stringent, Canadian ownership and control regulations under the *Broadcasting Act*, as discussed above.

Before an acquisition of a "cultural business" by a non-Canadian can be completed, the non-Canadian investor must be able to demonstrate that the proposed acquisition is likely to be of "net benefit to Canada." In determining whether this test has been met, the Department of Canadian Heritage is required to take into account a number of factors outlined in the ICA, including compatibility with Canada's cultural policy objectives, as well as any applicable government policies and any written undertakings that may have been given by the non-Canadian investor.

For investments in Canadian businesses in non-cultural industries, under the ICA, the threshold for the non-benefit review is generally based on the enterprise value of the Canadian business. Investments by non-Canadian from World Trade Organization countries, who are not state-owned enterprises are reviewable only where the Canadian business' enterprise value (as determined pursuant to the ICA and its regulations) was equal to or greater than C\$600 million prior to April 24, 2017, and C\$800 million on or after April 24, 2017, and C\$1 billion on or after June 22, 2017. The threshold will be adjusted annually as of January 1, 2021 to reflect the change in nominal gross domestic product. Under Bill C-30, which implements the Comprehensive Economic and Trade Agreement between Canada and the European Union and its Member States, and which received Royal Assent on May 16, 2017, the enterprise value threshold will increase to \$1.5 billion on a date to be determined for "trade agreement investors". For investments in Canadian businesses in cultural industries, under the ICA, the threshold for the net benefit review is based on the book value of the Canadian business. Review thresholds for acquisitions of control of a Canadian cultural business are \$5 million in "book value" of assets of the business for direct investments and \$50 million in book value of assets of the business for indirect investments. For an indirect acquisition of a cultural business, where the value of the worldwide assets of the Canadian business exceeds 50% of the value of all assets acquired, the review threshold is \$5 million in book value of assets. Unlike non-cultural businesses, indirect investments in the cultural sector are reviewable on a post-closing basis.

## Copyright Act Requirements

Corus' radio, conventional television and specialty television undertakings rely upon licenses under the *Copyright Act* (Canada) in order to make use of the music component of the programming and other uses of works used or distributed by these undertakings. Under these licenses, Corus is required to pay a range of tariff royalties established by the Copyright Board pursuant to the requirements of the *Copyright Act* to collectives (which represent the copyright owners) and individual copyright owners. These royalties are paid by these undertakings in the normal course of their business.

The levels of the tariff royalties payable by Corus are subject to change upon application by the collecting societies and approval by the Copyright Board. The Government of Canada may, from time to time, make amendments to the *Copyright Act* to implement Canada's international treaty obligations and for other purposes. Any such amendments could result in Corus' broadcasting undertakings being required to pay additional royalties for these licenses.

This year, the Government of Canada will commence two separate but related reviews of the Copyright Board of Canada and the *Copyright Act*. The first, launched by ISED and the Department of Canadian Heritage on August 9, 2017, is focused on options to improve the efficiency of the Copyright Board. The mandatory five-year review of the *Copyright Act* will commence by November 2017 at the latest and issues such as piracy are expected to be a focus. Further information on the Copyright Board consultation may be found at: [www.ic.gc.eic/site/693.nsf/eng/00160.html](http://www.ic.gc.eic/site/693.nsf/eng/00160.html).

## CAPITAL STRUCTURE

### Description of Capital Structure

#### (a) General

The authorized share capital of Corus consists of an unlimited number of Class A participating shares ("Class A Voting Shares"); an unlimited number of Class B non-voting participating shares ("Class B Non-Voting Shares") (and, together with the Class A Voting Shares, the "Corus Shares"); an unlimited number of Class 1 preferred shares (the "Class 1 Preferred Shares"), issuable in series; an unlimited number of Class 2 preferred shares (the "Class 2 Preferred Shares"), issuable in series; and an unlimited number of Class A preferred shares (the "Class A Preferred Shares"). As at August 31, 2017, there were 3,421,792 Class A Voting Shares, 202,835,501 Class B Non-Voting Shares and no preferred shares outstanding.

*(b) Class A Voting Shares and Class B Non-Voting Shares*

*i. Authorized Number of Shares*

The authorized number of Class A Voting Shares and Class B Non-Voting Shares is unlimited. No Class A Voting Shares, however, shall be issued unless the prior written consent of holders of no fewer than two-thirds of the then outstanding Class A Voting Shares is obtained.

*ii. Voting Rights*

The holders of Class A Voting Shares are entitled to one vote per share at all meetings of shareholders. The holders of Class B Non-Voting Shares are entitled to receive notice of, to attend, and to speak at all meetings of shareholders but are not entitled to vote thereat except as required by law and except upon any resolution to authorize the liquidation, dissolution or winding up of Corus or the distribution of assets among its shareholders for the purpose of winding up its affairs, in which event each holder of Class B Non-Voting Shares will be entitled to one vote per share.

*iii. Dividends*

In general, subject to the rights of any preferred shares outstanding from time to time, holders of Class A Voting Shares and Class B Non-Voting Shares are entitled to receive such dividends as the Board of Directors of Corus determines to declare on a share-for-share basis, as and when any such dividends are declared or paid, except that, during each Dividend Period (as defined below), the dividends (other than stock dividends) declared and paid on the Class A Voting Shares will always be \$0.005 per share per annum less than the dividends declared and paid in such Dividend Period to holders of the Class B Non-Voting Shares, subject to proportionate adjustment in the event of any future consolidations or subdivisions of Corus Shares and in the event of any issue of Corus Shares by way of stock dividends. A "Dividend Period" is defined as the fiscal year of Corus or such other period not exceeding one year in respect of which the directors of Corus have an announced current policy to declare and pay or set aside for payment of regular dividends.

*iv. Rights on Liquidation*

In the event of the liquidation, dissolution or winding up of Corus or other distribution of assets of Corus for the purpose of winding up its affairs, all property and assets of Corus available for distribution to the holders of Corus Shares will be paid or distributed equally, share for share, between the holders of Corus Shares without preference or distinction.

*v. Conversion Privilege*

Any holder of Class A Voting Shares may, at any time or from time to time, convert any or all Class A Voting Shares held by such holder into Class B Non-Voting Shares on the basis of one Class B Non-Voting Share for each Class A Voting Share so converted.

Subject to certain exceptions described below, if an Exclusionary Offer is made, any holder of Class B Non-Voting Shares may, at any time or from time to time during a Conversion Period, convert any or all of the Class B Non-Voting Shares held by such holder into Class A Voting Shares on the basis of one Class A Voting Share for each Class B Non-Voting Share so converted. For the purpose of this paragraph, the following terms have the following meanings:

"Conversion Period" means the period of time commencing on the eighth day after the Offer Date and terminating on the Expiry Date;

"Exclusionary Offer" means an offer to purchase Class A Voting Shares that:

1. must, by reason of applicable securities legislation or the requirements of a stock exchange on which the Class A Voting Shares are listed, be made to all or substantially all holders of Class A Voting Shares who are residents of a province of Canada to which the requirement applies; and
2. is not made concurrently with an offer to purchase Class B Non-Voting Shares that is identical to the offer to purchase Class A Voting Shares in terms of price per share and percentage of outstanding shares to be taken up exclusive of shares owned immediately prior to the offer by the Offeror, and in all other material respects (except with respect to the conditions that may be attached to the offer for Class A Voting Shares),

and that has no condition attached other than the right not to take up and pay for shares tendered if no shares are purchased pursuant to the offer for Class A Voting Shares, and for the purposes of this definition, if an offer to purchase Class A Voting Shares is not an Exclusionary Offer as defined above but would be an Exclusionary Offer if it were not for sub-clause (B), the varying of any term of such offer shall be deemed to constitute the making of a new offer unless an identical variation concurrently is made to the corresponding offer to purchase Class B Non-Voting Shares;

"Expiry Date" means the last date upon which holders of Class A Voting Shares may accept an Exclusionary Offer;

"Offer Date" means the date on which an Exclusionary Offer is made;

"Transfer Agent" means the transfer agent for the time being of the Class A Voting Shares; and

"Offeror" means a person or company that makes an offer to purchase Class A Voting Shares (the "bidder"), and includes

any associate or affiliate of the bidder or any person or company that is disclosed in the offering document to be acting jointly or in concert with the bidder.

Subject to certain exceptions, the foregoing conversion right shall not come into effect if:

1. prior to the time at which the offer is made there is delivered to the Transfer Agent and to the Secretary of Corus a certificate or certificates signed by or on behalf of one or more shareholders of Corus owning in the aggregate, as at the time the Exclusionary Offer is made, more than 50% of the then outstanding Class A Voting Shares, exclusive of shares owned immediately prior to the Exclusionary Offer by the Offeror, which certificate or certificates shall confirm, in the case of each such shareholder, that such shareholder shall not:
  - a) tender any shares in acceptance of any Exclusionary Offer without giving the Transfer Agent and the Secretary of Corus written notice of such acceptance or intended acceptance at least seven days prior to the Expiry Date;
  - b) make any Exclusionary Offer;
  - c) act jointly or in concert with any person or company that makes any Exclusionary Offer; or
  - d) transfer any Class A Voting Shares, directly or indirectly, during the time at which any Exclusionary Offer is outstanding without giving the Transfer Agent and the Secretary of Corus written notice of such transfer or intended transfer at least seven days prior to the Expiry Date, which notice shall state, if known to the transferor, the names of the transferees and the number of Class A Voting Shares transferred or to be transferred to each transferee; or
2. as of the end of the seventh day after the Offer Date there has been delivered to the Transfer Agent and to the Secretary of Corus a certificate or certificates signed by or on behalf of one or more shareholders of Corus owning in the aggregate more than 50% of the then outstanding Class A Voting Shares, exclusive of shares owned immediately prior to the Exclusionary Offer by the Offeror, which certificate or certificates shall confirm, in the case of each such shareholder:
  - a) the number of Class A Voting Shares owned by the shareholder;
  - b) that such shareholder is not making the offer and is not an associate or affiliate of, or acting jointly or in concert with, the person or company making the offer;
  - c) that such shareholder shall not tender any shares in acceptance of the offer, including any varied form of the offer, without giving the Transfer Agent and the Secretary of Corus written notice of such acceptance or intended acceptance at least seven days prior to the Expiry Date; and
  - d) that such shareholder shall not transfer any Class A Voting Shares, directly or indirectly, prior to the Expiry Date without giving the Transfer Agent and the Secretary of Corus written notice of such transfer or intended transfer at least seven days prior to the Expiry Date, which notice shall state, if known to the transferor, the names of the transferees and the number of Class A Voting Shares transferred or to be transferred to each transferee; or
3. as of the end of the seventh day after the Offer Date, a combination of certificates that comply with either clause (A) or (B) from shareholders of Corus owning in the aggregate more than 50% of the then outstanding Class A Voting Shares, exclusive of shares owned immediately prior to the Exclusionary Offer by the Offeror, has been delivered to the Transfer Agent and to the Secretary of Corus.

*vi. Modification*

Neither class of Corus Shares may be subdivided, consolidated, reclassified or otherwise changed unless contemporaneously therewith the other class of Corus Shares is subdivided, consolidated, reclassified or otherwise changed in the same proportion and in the same manner.

*vii. Offer to Purchase*

Corus may not make an offer to purchase any outstanding Class A Voting Shares unless at the same time it makes an offer to purchase at the same price and on the same terms as to payment an equivalent proportion of the outstanding Class B Non-Voting Shares.

*viii. Redemption*

The Corus Shares are not redeemable at the option of either Corus or the holder of any such Corus Shares.

*(c) Class 1 Preferred Shares*

The Class 1 Preferred Shares are issuable in one or more series. The Board of Directors may fix from time to time before such issue the number of shares which is to comprise each series then to be issued and the designation, rights, conditions, restrictions and limitations attaching thereto, including, without limiting the generality of the foregoing, the rate of preferential dividends and whether or not such dividends shall be cumulative, the dates of payment thereof, the redemption price and terms and conditions of redemption, including the rights, if any, of the holders of Class 1 Preferred Shares of such series to require the redemption thereof, conversion rights, if any, and any redemption fund, purchase

fund or other provisions to be attached to the Class 1 Preferred Shares of such series.

The holders of Class 1 Preferred Shares of any series shall not be entitled to receive notice of, to attend or vote at any meeting of shareholders of Corus, other than a meeting of holders of Class 1 Preferred Shares, as provided by applicable law.

The shares of each successive series of Class 1 Preferred Shares shall have preference over the Class A Voting Shares and Class B Non-Voting Shares as to dividends of not less than 1/100th of a cent per share, and shall not confer upon the shares of one series a priority over the shares of any other series of the Class 1 Preferred Shares in respect of voting, dividends or return of capital. If any amount of cumulative dividends or any amount payable on return of capital in respect of shares of a series of Class 1 Preferred Shares is not paid in full, the shares of such series shall participate rateably with the shares of all other series of Class 1 Preferred Shares in respect of accumulated dividends and return of capital. The Class 1 Preferred Shares and each series thereof shall rank junior to and be subject to in all respects to the preferences, rights, conditions, restrictions, limitations and prohibitions attached to the Class A Preferred Shares.

*(d) Class 2 Preferred Shares*

The Class 2 Preferred Shares are issuable in one or more series. From time to time before any such issue, the directors may fix the number of shares which is to comprise each series then to be issued and the designation, rights, conditions, restrictions or limitations attaching thereto, including, without limiting the generality of the foregoing, the rate of preferential dividends and whether or not such dividends shall be cumulative, the dates of payment thereof, the redemption price and terms and conditions of redemption, including the rights, if any, of the holders of Class 2 Preferred Shares of such series to require the redemption thereof, conversion rights, if any, and any redemption fund, purchase fund or other provisions to be attached to the Class 2 Preferred Shares of such series.

The holders of Class 2 Preferred Shares of any series shall not be entitled to receive notice of, to attend or vote at any meeting of shareholders of Corus, other than a meeting of holders of Class 2 Preferred Shares, as provided by applicable law.

The shares of each successive series of Class 2 Preferred Shares shall have preference over the Class A Voting Shares and Class B Non-Voting Shares as to dividends in right of payment and shall not confer upon the shares of one series a priority over the shares of any other series of Class 2 Preferred Shares in respect of voting, dividends or return of capital. If any amount of cumulative dividends or any amount payable on return of capital in respect of shares of a series of Class 2 Preferred Shares is not paid in full, the shares of such series shall participate rateably with the shares of all other series of the Class 2 Preferred Shares in respect of accumulated dividends and return of capital. The Class 2 Preferred Shares and each series thereof shall rank junior to and be subject to in all respects to the preferences, rights, conditions, restrictions, limitations and prohibitions attached to the Class A Preferred Shares and the Class 1 Preferred Shares.

*(e) Class A Preferred Shares*

In accordance with the provisions of subsection 26(3) of the Canada Business Corporations Act (the "CBCA"), the directors of Corus may add to the stated capital account maintained for Class A Preferred Shares the whole or any part of the amount of consideration received by Corus in an exchange for property, or shares of another class, or pursuant to an amalgamation referred to in section 182 of the CBCA or an arrangement referred to in subsection 192(1)(b) or (c) of the CBCA. The Class A Preferred Shares shall be redeemed (the "Class A Redemption Amount") at the amount of consideration received therefore as determined by the directors of Corus at the time of issuance. No Class A Preferred Shares shall be issued by Corus at any particular time if, at that time, there are Class A Preferred Shares issued and outstanding

The holders of the Class A Preferred Shares shall not be entitled to receive notice of, to attend or vote at any meeting of shareholders of Corus, subject to the CBCA.

When and if declared by the directors of Corus, the holders of Class A Preferred Shares shall be entitled to receive out of the net profits or surplus of Corus properly applicable to the payment of dividends, a non-cumulative dividend at such rate as the directors may from time to time determine. Upon the liquidation, dissolution or winding up of Corus, or other distribution of the assets of Corus or repayment of capital to its shareholders for the purpose of winding up its affairs, the holders of Class A Preferred Shares shall be entitled to receive for each such share, in priority of the holders of Class A Voting Shares and Class B Non-Voting Shares, the Class A Redemption Amount per share together with all declared but unpaid dividends thereon (the "Class A Redemption Price"). After such payment the holders of the Class A Preferred Shares shall have no right or claim to any of the remaining assets of Corus. Class 1 Preferred Shares, Class 2 Preferred Shares, Class A Voting Shares and Class B Non-Voting Shares shall rank junior to and shall be subject in all respect to the preferences, rights, conditions, restrictions, limitations and prohibitions attached to the Class A Preferred Shares. The Class A Preferred Shares are redeemable at the demand of Corus and are retractable at the demand of a holder of Class A Preferred Shares at the Class A Redemption Price.

## Share constraints

The statutes which govern the provision of broadcasting services by Corus and its regulated subsidiaries impose restrictions on the ownership of shares of Corus and its regulated subsidiaries by persons that are not Canadian. (See information under the heading "Canadian Communications Industry Regulatory Environment – Restrictions on Non-Canadian Ownership"). In order to ensure that Corus and its regulated subsidiaries remain eligible or qualified to provide broadcasting services in Canada, the Articles of Incorporation of Corus require the directors of Corus to refuse to issue or register the transfer of any "Voting Shares" (defined as the Class A Voting Shares and any other shares of Corus carrying voting rights under all circumstances or by reason of an event that has occurred and is continuing, and includes a security that is convertible into such a share and a currently exercisable option or right to acquire such a share or such a convertible security) to a person that is not a Canadian if such issue or transfer would result in the total number of such shares held by non-Canadians exceeding the maximum number permitted by applicable law. In addition, the directors of Corus are required to refuse to issue or register the transfer of any Voting Shares to a person in circumstances where such issue or transfer would affect the ability of Corus and its regulated subsidiaries to obtain, maintain, amend or renew a license to carry on any business. The Articles of Incorporation of Corus further provide that if, for whatever reason, the number of Voting Shares held by non-Canadians or other such persons exceeds the maximum number permitted by applicable law or would affect the ability to carry on any licensed business, Corus may, to the extent permitted by corporate or communications statutes, sell the Voting Shares held by such non-Canadians or other persons as if it were the owner of such shares. The Articles of Incorporation of Corus also give the directors of Corus the right to refuse to issue or register the transfer of shares of any class in the capital of Corus if (i) the issue or the transfer requires the prior approval of a regulatory authority unless and until such approval has been obtained; or (ii) the person to whom the shares are to be issued or transferred has not provided Corus with such information as the directors may request for the purposes of administering these share constraints.

## MARKET FOR SECURITIES

### Marketplace

Corus' Class B Non-Voting Shares (CJR.B) are listed and posted for trading on the Toronto Stock Exchange ("TSX").

### Trading Price and Volume

The following table sets forth the monthly price range and volume traded for the Company's publicly traded securities on the TSX for the fiscal year ended August 31, 2017. All price and volume information is from independent third-party sources.

TSX - CJR.B				
Month	High (\$)	Low (\$)	Close (\$)	Average Daily Volume
September 2016	12.63	11.80	12.15	346,660
October 2016	12.33	10.77	11.07	471,136
November 2016	12.32	10.85	12.14	337,899
December 2016	12.75	11.92	12.60	568,071
January 2017	13.56	12.67	12.92	634,941
February 2017	13.21	12.57	12.71	326,837
March 2017	13.20	12.27	13.06	474,252
April 2017	13.43	12.61	13.40	482,616
May 2017	13.50	12.75	13.36	279,063
June 2017	14.06	12.67	13.63	420,789
July 2017	13.96	13.46	13.84	215,900
August 2017	14.10	13.47	13.78	252,409

## DIVIDEND POLICY

a) *Dividend Policy*

The Company's dividend policy is reviewed on a quarterly basis by the Board of Directors and the dividend is paid monthly. Shareholders are entitled to receive dividends only when any such dividends are declared by the Company's Board of Directors, and there is no entitlement to any dividend prior thereto.

As described above, the dividends (other than stock dividends) declared and paid on the Class A Voting Shares shall be \$0.005 per share per annum less than the dividends declared and paid to holders of the Class B Non-Voting Shares. See the information under the heading "Capital Structure - Description of Capital Structure – Class A Voting Shares and Class B Non-Voting Shares" for further details.

On January 13, 2015, the Company announced that its Board of Directors had approved a \$0.05 increase in its annual dividend, effective February 1, 2015. At the new rate, the dividend on an annual basis for the Company's Class A Voting Shares and Class B Non-Voting Shares is \$1.135 and \$1.14 respectively, up from the previous rate of \$1.085 and \$1.09, respectively. The dividend is paid on a monthly basis.

b) *Restrictions on Payment of Dividends*

Covenants under Corus' credit agreement with a syndicate of lenders, as amended and restated on April 1, 2016, may restrict Corus' ability to pay dividends at certain financial ratios and/or financial performance or if an event of default has occurred and is continuing or would result from the payment of the dividend.

c) *Distribution Rates and Payment Dates*

The annual distribution rates on securities of the Company and payment dates for the fiscal year ended August 31, 2017, as well as the annual dividend payments for the past three fiscal years, are set forth in the tables below:

<b>Fiscal 2017 dividends paid per share</b>		
<i>Date paid</i>	<i>Class A Voting Shares</i>	<i>Class B Non-Voting Shares</i>
September 30, 2016	\$0.094583	\$0.095000
October 31, 2016	\$0.094583	\$0.095000
November 30, 2016	\$0.094583	\$0.095000
December 30, 2016	\$0.094583	\$0.095000
January 31, 2017	\$0.094583	\$0.095000
February 28, 2017	\$0.094583	\$0.095000
March 31, 2017	\$0.094583	\$0.095000
April 28, 2017	\$0.094583	\$0.095000
May 31, 2017	\$0.094583	\$0.095000
June 30, 2017	\$0.094583	\$0.095000
July 31, 2017	\$0.094583	\$0.095000
August 31, 2017	\$0.094583	\$0.095000
September 30, 2017	\$0.094583	\$0.095000

<b>Annual dividend payments per share</b>			
	Fiscal 2017	Fiscal 2016	Fiscal 2015
Class A Voting Shares	\$1.1350	\$1.1350	\$1.1142
Class B Non-Voting Shares	\$1.1400	\$1.1400	\$1.1192

## DIRECTORS

Name and municipality of residence	Director since:	Principal occupation
Fernand Bélisle Breckenridge, Quebec	January 2009 (and previously December 2003 – February 2005)	Independent consultant and corporate director
Peter Bissonnette Calgary, Alberta	April 2016	Corporate director
Michael D'Avella Heritage Pointe, Alberta	April 2016	Corporate director
Trevor English Calgary, Alberta	April 2016	Executive Vice President, Chief Strategy and Business Development Officer, Shaw Communications Inc.
John Frascotti Needham, MA	January 2016	President, Hasbro, Inc.
Mark Hollinger Washington, DC	July 2014	Corporate director
Barry James Edmonton, Alberta	January 2014	Independent consultant and corporate director
Douglas D. Murphy Toronto, Ontario	March 2015	President and Chief Executive Officer, Corus Entertainment Inc.
Catherine Roozen Edmonton, Alberta	June 2011 (and previously July 2001 – January 2010)	Corporate director
Terrance Royer Calgary, Alberta	September 1999	Chairman, Royco Hotels Ltd.
Heather A. Shaw Calgary, Alberta	September 1999	Executive Chair, Corus Entertainment Inc.
Julie M. Shaw Calgary, Alberta	September 1999	Corporate director

The Board has not adopted formal term limits for Board members.

Each director of Corus has been engaged for more than five years in his or her principal occupation, except as follows:

Mr. Bissonnette was previously President of Shaw Communications Inc. from 2001 until his retirement in August 2015.

Mr. D'Avella was previously Senior Vice President of Planning for Shaw Communications Inc. from 1995 until his retirement in September 2013.

Mr. English has held progressively senior positions with Shaw Communications Inc. from 2009 to 2016, including Senior Vice President, Corporate Development and Business Planning, Senior Vice President, Corporate Development and Capital Markets, Group Vice President, Corporate Development and Capital Markets and Vice President Capital Markets.

Mr. Frascotti was previously President, Hasbro Brands from 2014 to early 2017 and Executive Vice President and Chief Marketing Officer of Hasbro Inc. from 2008 to 2014.

Mr. Murphy was appointed CEO on March 30, 2015. Prior to his current role, from September 2013 to March 2015, he served as Executive Vice President and Chief Operating Officer with responsibility for the Corus Television and Radio divisions. Previously, from May 2010 to August 2013, he held the position of Executive Vice President and President of Corus Television, where he oversaw Corus' portfolio of television brands.

Mr. James has been an Independent Consultant and Corporate Director since 2014. Previously, Mr. James was Partner, PricewaterhouseCoopers from 1989 to 2013 and Office Managing Partner in Edmonton, PricewaterhouseCoopers from 2001 to 2011.

Mr. Hollinger was previously President and CEO of Discovery Networks International from December 2009 to March 2014.

Ms. Julie Shaw was previously Vice President, Facilities, Design and Management of Shaw Communications Inc. from 1986 to June, 2016.

Each director named above was appointed a director at the Company's Annual Meeting of Shareholders on January 11, 2017. Each director will hold office until the next scheduled annual meeting of shareholders. Thereafter, each director will be elected at the annual meeting of shareholders to serve until the next annual meeting or until a successor is elected or appointed.

To the knowledge of the Company and based upon information furnished to it by the proposed nominees for election to the Board of Directors, no such nominee is or has been, during the 10 years ended November 16, 2017, a director or executive officer of any issuer which, while that person was acting in that capacity or within a year of ceasing to act in that capacity, became bankrupt or made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, with the exception of Mr. Douglas Murphy, who until November 9, 2015 was a director of Danier Leather Inc., which on February 4, 2016 commenced insolvency proceedings under the Bankruptcy and Insolvency Act (Canada)(the "BIA") and on March 21, 2016, made an assignment in bankruptcy pursuant to the provision of the BIA.

To the knowledge of the Company and based upon information furnished to it by the proposed nominees for election to the Board of Directors, no such nominee is or has been, during the 10 years ended November 16, 2017, a director, chief executive officer or chief financial officer of any issuer that was subject to a cease trade order, or an order similar to a cease trade order, or an order that denied the relevant company access to exemption under securities legislation, and that was in effect for a period of more than 30 consecutive days, that was issued while that director was acting in such capacity, or that was issued after the director ceased to be acting in such capacity and which resulted from an event which occurred while the director was acting in such capacity.

The Board of Directors has four standing committees made up of the following members:

<b>Committee</b>	<b>Members</b>
Executive Committee	Heather A. Shaw – Chair Peter Bissonnette Douglas D. Murphy Mark Hollinger Barry James Catherine Roozen Fernand Bélisle – Independent Lead Director
Audit Committee	Barry L. James – Chair Michael D'Avella Terrance Royer
Human Resources and Compensation Committee	Catherine Roozen - Chair Fernand Bélisle Terrance Royer
Corporate Governance Committee	Mark Hollinger - Chair John Frascotti Julie M. Shaw

## OFFICERS

Name and municipality of residence	Position held with Corus
Judy Adam, CPA, CA Oakville, Ontario	Senior Vice President, Finance
Dale Hancocks Mississauga, Ontario	Executive Vice President and General Counsel
Gary Maavara Toronto, Ontario	Corporate Secretary
Greg McLelland Oakville, Ontario	Executive Vice President and Chief Revenue Officer
Douglas D. Murphy Toronto, Ontario	President and Chief Executive Officer
John R. Gossling, FCPA, FCA Toronto, Ontario	Executive Vice President and Chief Financial Officer
Heather A. Shaw Calgary, Alberta	Executive Chair
Barbara Williams Toronto, Ontario	Executive Vice President and Chief Operating Officer

All of the officers of Corus have held their present positions or other executive positions with the Company during the past 5 years or more, except as follows:

Mr. McLelland was previously Senior Vice President Sales, Shaw Media Inc. from December 2015 to April 2016 and Vice President Sales, Shaw Media Inc. from 2008 to November 2015.

Mr. Gossling was previously Executive Vice President, Chief Financial Officer, Telus Corporation from January 2013 to May 2016, a corporate director from April 2011 to December 2012 and Chief Financial Officer of CTVglobemedia from April 2008 to March 2011.

Ms. Williams was previously Executive Vice President and President, Shaw Media Inc. from September 2014 to March 2016 and Senior Vice President, Content, Shaw Media Inc. from November 2010 to September 2014.

As of November 16, 2017, the directors and executive officers of the Company beneficially owned, directly or indirectly, or exercised control or direction over 354,532 Class A Voting Shares and 6,174,842 Class B Non-Voting Shares, representing 10.4% and 3.0% of the issued and outstanding Class A Voting Shares and Class B Non-Voting Shares, respectively.

To the knowledge of the Company, no director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, is or has been, since the incorporation of the Company, a director or executive officer of any company that, while that person was acting in that capacity, (a) was the subject of a cease trade order or similar order or an order that denied the company access to any exemptions under Canadian securities legislation for a period of more than 30 consecutive days; (b) was subject to an event that resulted, after that person ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the company access to any exemption under Canadian securities legislation for a period of more than 30 consecutive days; or (c) has, since the incorporation of the Company, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder, with the following exceptions: (i) Mr. Douglas Murphy, (as described above under the heading Directors in this Annual Information Form); and (ii) and Ms. Barbara Williams, who was until October 26, 2010 an executive officer of CanWest Global Communications Corp. ("Canwest"), which voluntarily entered into the Companies' Creditors Arrangement Act ("CCAA") and obtained an order from the Ontario Superior Court of Justice (Commercial Division) to start proceedings on October 6, 2009. Although no cease trade orders were issued, Canwest shares were de-listed by the TSX after the filing and started trading on the TSX Venture Exchange. Canwest emerged from CCAA protection and Postmedia Network acquired its newspaper business on July 13, 2010 while Shaw acquired its broadcast media business on October 27, 2010.

## AUDIT COMMITTEE

### Charter

The text of the Audit Committee's Charter is attached as Schedule A.

### Composition of the Audit Committee

The Company's Audit Committee is composed of Barry L. James, Michael D'Avella and Terrance Royer, each of whom is a financially literate, independent director of the Company as per the requirements of Multilateral Instrument 52-110 *Audit Committees*. The relevant education and experience of each Audit Committee member is outlined below:

*Barry L. James (Chair), B. Comm., FCPA, FCA, ICD.D*

Mr. James is President of Barry L. James Advisory Services Ltd., a private consulting firm. Mr. James was a partner of PricewaterhouseCoopers and retired after 36 years with the firm. He became a partner in the tax practice in 1989 and subsequently became a partner in the audit group. Mr. James was Office Managing Partner in Edmonton for 10 years, from 2001 to 2011. Currently, Mr. James is a Board member of ATB Financial and AutoCanada Inc., a Trustee of the University Hospital Foundation and Chair of the Provincial Audit Committee of the Government of Alberta.

*Michael D'Avella, BA*

Mr. D'Avella served most recently as Senior Vice President of Planning for Shaw Communications, Inc. until his retirement in September 2013. During his 22 years at Shaw, Mr. D'Avella was involved in every aspect of Shaw's business strategy, growth, acquisitions, new product and service launches and technology planning. He has over 30 years of experience in the Canadian communications industry and has extensive knowledge of the regulatory and public policy environment in Canada. Mr. D'Avella led Shaw's programming and content licensing negotiations including the licensing of content for a variety of delivery platforms. In 2008, Mr. D'Avella led Shaw's successful acquisition of Advanced Wireless Services spectrum and the overall development of Shaw's wireless strategy. Mr. D'Avella has served as a Director on several public and private companies including Terayon Communications Systems, GT Group Telecom, and Canadian Satellite Communications (Cancom). Mr. D'Avella graduated from St. Michael's College (the University of Toronto) with a BA (Hons.).

*Terrance Royer, BAsC, MBA, ICD.D, LL.D. (hon)*

Mr. Royer is Chairman of Royco Hotels Ltd., a hotel management company. Mr. Royer retired as Executive Vice-Chairman of the Calgary-based Royal Host REIT in December 2005. He is also retired President, CEO and founder of Royal Host Corp., a hotel and resort ownership, franchising and management company. Mr. Royer serves on the Board of Revera Inc. and served on the Board of Royal Host REIT from January 1998 to June 2006. Mr. Royer is Chairman Emeritus of the University of Lethbridge (Chairman from January 2001 to July 2006).

### Principal Accounting Fees and Services - Independent Auditors

Fees payable to the Registrant's independent auditor, Ernst & Young LLP, for the years ended August 31, 2017 and 2016 totaled \$2,315,200 and \$3,909,400, respectively, as detailed in the following table. All funds are in Canadian dollars:

	Fiscal year ended August 31,	
	2017	2016
Audit fees	2,212,000	2,580,400
Audit-related fees	—	545,000
Tax fees	103,200	334,000
All other fees	—	450,000
<b>Total</b>	<b>2,315,200</b>	<b>3,909,400</b>

The nature of the services provided by Ernst and Young LLP under each of the categories indicated in the table is described below:

#### *Audit Fees*

Audit fees were for professional services rendered by Ernst and Young LLP for the audit of the Company's annual financial statements and services provided in connection with statutory and regulatory filings or engagements.

### *Audit-Related Fees*

Audit-related fees were for assurance and related services reasonably related to the performance of the audit of the consolidated financial statements and are not reported under "Audit Fees" above. These services included audit-related fees in relation to the prospectus and other transaction-related items.

### *Tax Fees*

Tax fees were for tax compliance, tax advice and tax-planning professional services. These services consisted of tax planning and advisory services relating to common forms of domestic and international taxation as well as assistance with various tax audit matters.

### *All Other Fees*

Fees disclosed in the table above under the item "all other fees" represent products and services other than the audit fees, audit-related fees and tax fees described above, including transaction-related services.

The Company's Audit Committee has implemented a policy restricting the services that may be provided by the auditors and the fees paid to the auditors. Prior to the engagement of the auditors, the Audit Committee pre-approves the provision of the service. In making their determination regarding non-audit services, the Audit Committee considers the compliance with the policy and the provision of non-audit services in the context of avoiding impact on auditor independence. Each quarter, the Audit Committee reviews the non-audit services performed by the auditors on a year-to-date basis, and any proposed assignments for pre-approval, if appropriate.

## **LEGAL AND REGULATORY**

Corus is involved, from time to time, in various claims and lawsuits incidental to the ordinary course of business, including intellectual property actions and acts for defamation. Adverse determinations in litigation could result in the loss of proprietary rights, subject the Company to significant liabilities, or require Corus to seek licenses from third parties, any one of which could have an adverse effect on the business and results of operations. Actions which are incidental to the business are typically covered by insurance and management has estimated the potential liability and provided for the amount in its financial statements. Corus does not anticipate that the damages which may be awarded in any material action of which the Company is currently aware will exceed its insurance coverage in a material way. While no assurance can be given that these proceedings will be favourably resolved, Corus does not believe that the outcome of these legal proceedings will have a material adverse impact on its financial position or results of operations.

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

To the knowledge of the Company, other than as set out below, there are no material interests, direct or indirect, of any director or executive officer of the Company, any shareholder that beneficially owns, or controls or directs (directly or indirectly), more than 10% of any class or series of Corus' outstanding voting securities, or any associate or affiliate of any of the foregoing persons, in any transaction within the last three financial years ended August 31, 2017.

The Shaw Media Acquisition, a related-party transaction as described in the General Development of the Business section of this Annual Information Form, was completed on April 1, 2016. It was subject to the requirements and protections of Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("MI 61-101"). These included in particular the preparation and filing of a formal valuation of Shaw Media Inc. prepared by Barclays Capital Canada and the approval of the transaction by a "majority of the minority" of the Class B shares, which are normally non-voting securities. Please refer to the Management Information Circular dated February 9, 2016 of the Company available at [www.sedar.com](http://www.sedar.com) under the Company's profile for further information regarding the Shaw Media Acquisition, including its treatment under MI 61-101.

Shaw Family Living Trust ("SFLT"), being the controlling shareholder of the Company, is also the controlling shareholder of Shaw, and together with certain affiliates held 17,562,400 Class A Voting Shares of Shaw at the time of completion of the Shaw Media Acquisition. The sole trustee of SFLT is a private company owned by JR Shaw and having a board comprised of seven directors, including JR Shaw as chair, Heather Shaw, the Executive Chair of the Company, Julie Shaw, the Vice-Chair of the Company, and three other members of Mr. Shaw's family. In addition, Heather Shaw, together with certain family member associates and entities over which she and they exercise direction and control and/or held a beneficial interest, held 32,400 Class A Voting Shares and 8,182,100 Class B Non-Voting Shares of Shaw at the time of completion of the Shaw Media Acquisition, while Julie Shaw, together with certain family member associates and entities over which she and they exercise direction and control and/or held a beneficial interest, held 32,400 Class A Voting Shares and 8,292,383 Class B Non-Voting Shares of Shaw at the time of completion of the Shaw Media Acquisition. In

addition, Heather Shaw, together with certain family member associates and entities over which she and they exercise direction and control and/or held a beneficial interest, held 32,400 Class A Voting Shares and 8,182,100 Class B Non-Voting Shares of Shaw at the time of completion of the Shaw Media Acquisition, while Julie Shaw, together with certain family member associates and entities over which she and they exercise direction and control and/or held a beneficial interest, held 32,400 Class A Voting Shares and 8,292,383 Class B Non-Voting Shares of Shaw at the time of completion of the Shaw Media Acquisition. Cathton Investments Ltd., a corporation controlled by Cathy Roozen, a director of the Company, held approximately 2,060,000 Class A Voting Shares and 2,447,142 Class B Non-Voting Shares of Shaw at the time of completion of the Shaw Media Acquisition, and a family member associate of hers held an additional 10,000 Class A Voting Shares of Shaw as of that time. Following completion of the Shaw Media Acquisition, on April 13, 2016, Trevor English, Peter Bissonnette and Michael D'Avella were appointed to Corus' Board by its Board of Directors as nominees of Shaw pursuant to the terms of the Governance and Investor Rights Agreement as summarized in the Material Contracts section of this Annual Information Form.

## TRANSFER AGENTS

AST Trust Company (Canada), P.O. Box 700, Station B, Montreal, Quebec H3B 3K3, acts as Corus' transfer agent and can be reached by telephone at 1.800.387.0825 or via their website [www.astfinancial.com/ca-en/](http://www.astfinancial.com/ca-en/).

## MATERIAL CONTRACTS

### Share Purchase Agreement

On January 13, 2015, Corus and Shaw entered into the share purchase agreement between Shaw and Corus (the "Acquisition Agreement"), pursuant to which, subject to certain conditions, Corus has completed the Shaw Media Acquisition. The Acquisition Agreement contains a number of customary representations and warranties of Shaw and Corus.

#### *Indemnification Provided by Shaw*

Shaw has agreed to indemnify Corus, its directors, officers, agents, employees and shareholders (collectively, the "Corus Indemnified Parties") from and against all losses, which may be brought against the Corus Indemnified Parties, or which they may suffer or incur, directly or indirectly, in connection with breaches of covenants or representations or warranties, among other things. For losses based on a breach of a representation or warranty of Shaw (other than losses relating to or impacted by tax matters) (a) Shaw will not be required to pay any amount until the aggregate amount of all such losses claimed by Corus exceeds \$25 million, provided that once such threshold amount has been reached, indemnification will apply for all losses; (b) after the threshold in (a) has been reached, the minimum threshold in respect of individual claims brought by Corus will be \$250,000 and no claim may be brought if such claim is for a lesser amount unless the aggregate amount of all such claims exceeds \$2 million; and (c) other than in respect of wilful breach of the Acquisition Agreement, fraud or breaches of Shaw Core Representations (as defined in the Acquisition Agreement), the aggregate liability of Shaw for all such losses will not exceed \$500 million.

For losses based on a breach of a representation or warranty of Shaw relating to or impacted by tax matters: (a) the minimum threshold in respect of individual claims brought by Corus will be \$250,000 and no claim may be brought if such claim is for a lesser amount; and (b) other than in respect of wilful breaches of the Acquisition Agreement or fraud, the aggregate liability of Shaw for all such losses will not exceed \$1.85 billion.

The Acquisition Agreement include an aggregate cap for all indemnification claims at the Purchase Price (as defined in the Acquisition Agreement).

#### *Indemnification Provided by Corus*

Corus has agreed to indemnify and save harmless Shaw, its directors, officers, agents, employees and shareholders (collectively, the "Shaw Indemnified Parties") from and against all losses, which may be brought against the Shaw Indemnified Parties, or which they may suffer or incur, directly or indirectly, as a result of or in connection with breaches of covenants or representations or warranties, among other things.

For losses based on a breach of a representation or warranty of Corus (other than losses relating to or impacted by tax matters): (a) Corus will not be required to pay any amount until the aggregate amount of all such losses claimed by Shaw exceeds \$25 million, provided that once such threshold amount has been reached, indemnification will apply for all losses; (b) after the threshold has been reached, the minimum threshold in respect of individual claims brought by Corus will be \$250,000 and no claim may be brought if such claim is for a lesser amount unless the aggregate amount of all such

claims exceeds \$2 million; and (c) other than in respect of wilful breach of the Acquisition Agreement, fraud or breaches of Corus Core Representations (as defined in the Acquisition Agreement), the aggregate liability of Corus for all such losses will not exceed \$500 million.

For losses based on a breach of a representation or warranty of Corus relating to or impacted by tax matters: (a) the minimum threshold in respect of individual claims brought by Shaw will be \$250,000 and no claim may be brought if such claim is for a lesser amount; and (b) other than in respect of wilful breaches of the Acquisition Agreement or fraud, the aggregate liability of Corus for all such losses will not exceed \$1.85 billion.

The Acquisition Agreement includes an aggregate cap for all indemnification claims at the Purchase Price (as defined in the Acquisition Agreement).

The indemnification obligations of both Corus and Shaw are subject to certain customary limitations including a general survival period of 18 months following April 1, 2016 (the closing date of the Shaw Media Acquisition), except that: (i) certain claims with respect to losses relating to or impacted by tax matters will terminate 90 days after the relevant governmental authorities are no longer be entitled to assess or reassess liability for taxes against Shaw Media or any of its subsidiaries in respect of such tax matters; (ii) claims arising from breach of covenant by either Corus or Shaw, as applicable, pursuant to the Acquisition Agreement, certain losses based on breaches of Corus Core Representations (as defined in the Acquisition Agreement) and Shaw Core Representations (as defined in the Acquisition Agreement), and losses based on intentional misrepresentation or fraud by Corus or Shaw, as applicable, may be made at any time subject only to the ultimate limitation periods imposed by law.

### **Senior Secured Credit Facility**

A syndicate of lenders has provided Corus with a senior secured term credit facility (the "Term Facility") and a senior secured revolving credit facility (the "Revolving Facility") under the Amended and Restated Credit Agreement dated April 1, 2016 (the "Credit Agreement").

The Term Facility consists of two tranches, with the first tranche being in the initial amount of \$766.7 million and maturing on April 1, 2019, and the second tranche being in the initial amount of \$1,533.3 million and maturing on April 1, 2021. Each tranche of the Term Facility is subject to mandatory repayment equal to 1.25% per quarter at the end of each fiscal quarter of Corus, increasing to 1.875% per quarter commencing with the November 30, 2017 instalment and, in the case of the second tranche, to 2.5% per quarter commencing with the November 30, 2019 instalment. As a term facility, the amounts borrowed may be repaid but once repaid are no longer available to re-borrow. As at August 31, 2017, \$2,127.5 million of the Term Facility was utilized.

Advances under the Term Facility may be outstanding in the form of either prime rate loans or bankers' acceptances and bear interest at the applicable reference rate plus an applicable margin depending on the type of advance and Corus' total debt to cash flow ratio.

The Revolving Facility consists of a committed credit of \$300 million that matures April 1, 2020. As a revolving facility, amounts borrowed may be repaid and re-borrowed as required through the term of the Revolving Facility. The commitment expires at the maturity date and there are no mandatory reductions to the committed amount, subject to certain covenants, during the term of the facility. As at August 31, 2017, the Revolving Facility was undrawn.

Advances under the Revolving Facility are available in either Canadian or U.S. dollars at the option of Corus. Interest rates applicable to Canadian dollar advances, at Corus' option, are equal to (i) the Canadian prime rate, or (ii) Bankers Acceptance rates for terms up to six months, plus, in each case, an applicable margin. Interest rates applicable to U.S. dollar advances, at Corus' option, are equal to (i) the U.S. base rate, or (ii) the U.S. London inter-bank offered rate ("LIBOR") for terms up to six months, plus, in each case, an applicable margin. Margins will vary based on the type of advance and debt to cash flow ratios achieved.

The Credit Agreement requires that Corus comply, on a quarterly basis, with certain financial covenants including maximum debt to cash flow ratio tests and a minimum interest coverage ratio test. The Credit Agreement also includes negative covenants that, subject to certain exceptions, may restrict or limit the ability of Corus (and its significant operating subsidiaries) to, among other things, incur, assume or permit to exist additional indebtedness or encumbrances, engage in mergers, consolidations, amalgamations or other reorganizations, sell or otherwise dispose of significant assets, make investments, declare dividends or repurchase equity securities, engage in activities that adversely affect the ranking or validity of the lenders' security.

The Credit Agreement contains certain customary representations and warranties, positive covenants and events of default, including payment defaults, covenant defaults, cross-defaults to other material indebtedness or other material agreements, insolvency or bankruptcy defaults, material judgments, material breach of representations and warranties and failure to maintain security. If an event of default occurs and continues, the lenders are entitled to take all actions permitted to a secured creditor including the acceleration of amounts due.

The lenders under the Credit Agreement have a first ranking charge on the present and future property of Corus, including the present and future property of its significant operating subsidiaries. Those subsidiaries have provided guarantees to the lenders and securities pledge agreements have been entered into relative to the ownership interest in most of the significant operating subsidiaries.

### **Governance and Investor Rights Agreement**

Concurrent with the closing of the Shaw Media Acquisition and following the issuance of the Consideration Shares to Shaw, Corus and Shaw Communications Inc. ("Shaw") entered into the Governance and Investor Rights Agreement ("GIRA"), pursuant to which Corus granted certain rights to Shaw.

The following is a summary of the principal terms of the GIRA. This summary does not purport to be complete and is qualified in its entirety by reference to the GIRA which has been filed by Corus on SEDAR at [www.sedar.com](http://www.sedar.com).

#### **Corus Board Composition and Shaw Nominees**

Pursuant to the GIRA, Shaw has the right to nominate individuals to be elected or appointed to the Board (each, a "Shaw Nominee"). Corus and Shaw agreed that the Board would immediately appoint three Shaw Nominees to serve on the Board until the next annual general meeting of Corus shareholders following closing of the Acquisition. Shaw's nominees consisted of Michael D'Avella, Trevor English and Peter Bissonnette.

Until such time that Shaw beneficially owns less than 10% of the outstanding Shares, Shaw will be entitled to appoint Shaw Nominees to the Board as follows: (a) for so long as Shaw beneficially owns at least 30% of the outstanding Shares, Shaw will have the right to appoint up to three Shaw Nominees; (b) for so long as Shaw beneficially owns at least 20% but less than 30% of the outstanding Shares, Shaw will have the right to appoint up to two Shaw Nominees; and (c) for so long as Shaw beneficially owns at least 10% but less than 20% of the outstanding Shares, Shaw will have the right to appoint one Shaw Nominee. If at any time Shaw beneficially owns less than 10% of the outstanding Shares, Shaw will not be entitled to any Shaw Nominees and Shaw will use its commercially reasonable efforts to, unless requested otherwise by Corus, cause any Shaw Nominees on the Board to resign forthwith.

Each Shaw Nominee must be "Canadian" as defined in the Direction to the CRTC (Ineligibility of Non-Canadians) and satisfy Corus's general eligibility criteria for director candidates. In addition, Shaw agreed that no less than two (one, if Shaw is only entitled to two Shaw Nominees) of the three Shaw Nominees must meet the independence criterion set forth in Section 1.4 of National Instrument 52-110 – *Audit Committee*, provided that the independence criteria is not applicable in the event Shaw is only entitled to one Shaw Nominee. At least one of the three Shaw Nominees must meet the requirements of National Instrument 52-110 – *Audit Committee* to sit on the Corus audit committee. Shaw has nominated Mr. D'Avella who satisfies the independence criterion of applicable securities law and the requirements of National Instrument 52-110 – *Audit Committee*.

Corus has agreed that in respect of every meeting of Shareholders at which the election of Corus directors is to be considered, so long as such Shaw Nominees satisfy Corus' applicable director eligibility criteria, management of Corus will recommend the Shaw Nominees identified in Corus' proxy materials for election to the Board and vote their Class A Shares and any Class A Shares in respect of which management has been granted a discretionary proxy in favour of the election of such Shaw Nominees.

#### **Committee Appointments**

Pursuant to the GIRA, Corus has agreed to provide Shaw the right to appoint one individual to the executive committee of Corus so long as Shaw beneficially owns Class B Shares representing at least 15% of the outstanding Shares.

For so long as Shaw beneficially owns Class B Shares representing at least 15% of the outstanding Shares it will also have the right to appoint one individual to any special committee or similarly constituted committee formed to evaluate regulatory issues, strategic initiatives or material transactions involving Corus or its subsidiaries. However, a Shaw Nominee may not serve on a special committee if Shaw or an affiliate of Shaw is (or is likely to become) an "interested party" (as such term is defined in MI 61-101) in respect of the applicable issue or transaction.

#### **Restrictions on Transfer of the Consideration Shares**

As of August 31, 2017, Shaw held approximately 40% (August 31, 2016 - 38%) of the aggregate outstanding Class B Shares as a result of Consideration Shares issued pursuant to the Shaw Media Acquisition and Shaw's participation in the Company's DRIP. Shaw has agreed to certain transfer restrictions during a specified hold period pursuant to which Shaw will not, without prior written consent of Corus, sell, offer to sell, grant any option, right or warrant for the sale of, or otherwise lend, transfer, assign or dispose of the Consideration Shares or any other securities issued by Shaw convertible, exchangeable or exercisable into Consideration Shares or agree to do any of the foregoing or publicly announce any intention to do any of the foregoing, subject to certain exceptions. Such transfer restrictions apply to all the Consideration Shares until the date that is: (a) 12 months following the Closing Date, at which time such restrictions

will be lifted from one-third of the Consideration Shares; (b) 18 months following the Closing Date, at which time the restriction will be lifted from two-thirds of the Consideration Shares; and (c) 24 months following the Closing Date, at which all restrictions on transfer of the Consideration Shares will be lifted.

#### **Dividend Reinvestment Plan Enrollment**

Shaw agreed that it would, upon the closing of the Acquisition, enroll all of the Consideration Shares in Corus' existing DRIP. Shaw will continue to participate in the Corus DRIP until the earlier of: (a) September 1, 2017; and (b) the date such Consideration Shares are no longer subject to hold restrictions under the Governance and Investor Rights Agreement. Subject to applicable laws, from the Closing Date until the date that is 24 months following the Closing Date, Corus has agreed that no amendments will be made to the share price discount under the DRIP (currently a 2% share price discount). Shares issued to Shaw pursuant to the DRIP will not be subject to restrictions on transfer. In September, 2017, Shaw withdrew all of its Consideration Shares from Corus' DRIP, as permitted under the GIRA.

#### **Registration Rights**

The GIRA provides that, subject to certain exceptions, upon the written request of Shaw, Corus will use commercially reasonable efforts, subject to compliance with applicable securities laws and stock exchange requirements, to file such documents and take such steps as may be necessary under applicable securities laws to qualify for distribution to the public all or any whole number of Class B Shares held by Shaw which are not then subject to any restrictions on transfer pursuant to the Governance and Investor Rights Agreement (the "Demand Registration Rights").

If Corus proposes to make a distribution or sale of Shares to the public for cash by means of a prospectus, other than by way of a bought deal, Corus will promptly give written notice of the distribution to Shaw, including proposed pricing. Upon written request of Shaw, Corus will use its commercially reasonable efforts to cause to be qualified in such distribution the applicable number of Class B Shares of Shaw requested by Shaw to be included (the "Piggy-Back Registration Rights"). In addition, subject to certain customary exceptions, Corus will use commercially reasonable efforts to include a proportional number of Class B Shares held by Shaw in any bought deal offering.

The Demand Registration Rights and the Piggy-Back Registration Rights granted to Shaw will terminate at such time that Shaw no longer beneficially owns Class B Shares representing at least 5% of the outstanding Shares.

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

Subject to certain exceptions, provided that Shaw beneficially owns Class B Shares representing at least 10% of the outstanding Shares, if Corus proposes to offer to issue any equity or participating securities or securities convertible or exchangeable into equity or participating securities, Shaw will be entitled to participate in such issuance on a *pro rata* basis, but only to the extent necessary to maintain its then proportional fully-diluted equity interest in Corus. In the event that such proposed issuance consists of the issuance of Class A Shares, then Shaw will be entitled to acquire that number of Class B Shares that allow it to maintain its then proportional fully-diluted equity interest in Corus. At least five Business Days prior to the closing of any such proposed offering, Corus will deliver to Shaw a notice in writing offering Shaw the opportunity to subscribe for a *pro rata* number of such securities and Shaw will be entitled, upon written notice to Corus, to participate in the issuance by way of private placement at the same price and on the same terms offered by Corus to any party.

#### **Termination**

The GIRA will terminate upon Shaw beneficially owning less than 5% of the outstanding Shares.

## **INTERESTS OF EXPERTS**

The audited consolidated financial statements and notes of the Company and its subsidiaries and joint ventures for the year ended August 31, 2017, incorporated by reference in this Annual Information Form, have been audited by Ernst & Young LLP ("EY"), Chartered Professional Accountants. EY was appointed as the Company's independent auditors by the shareholders of the Company upon the recommendation of the Board of Directors at its Annual General Meeting held on January 11, 2017. To the knowledge of the Board of Directors, EY is independent of the Company in accordance with the Rules of Professional Conduct of the Chartered Professional Accountants Ontario. A copy of the audited consolidated annual financial statements and notes of the Company, including the auditors' report thereon, is available at SEDAR at [www.sedar.com](http://www.sedar.com).

Barclays Capital Canada Inc. ("Barclay's"), the independent valuator engaged by the Corus Special Committee in connection with the Shaw Media Acquisition, provided the Barclays Valuation and Fairness Opinion that determined that, as of January 12, 2016 and based upon and subject to the assumptions, limitations, qualifications and other matters contained therein, the fair market value of Shaw Media was in the range of \$2.45 to \$2.85 billion. The purchase price

payable to Shaw in connection with the Acquisition was at the midpoint of the Barclays Valuation and Fairness Opinion range. In addition, the Barclays Valuation and Fairness Opinion provided that, as of such date, based upon and subject to the assumptions, limitations and qualifications contained therein, the consideration payable to Shaw in connection with the Acquisition was fair, from a financial point of view, to Corus. As of January 12, 2016, the designated professionals of Barclays, as a group, beneficially owned, directly and indirectly, less than 1% of the outstanding securities of Corus and its affiliates and associates.

The Company's financial advisor, RBC Dominion Securities Inc. ("RBC"), provided the RBC Fairness Opinion to the Board of Directors that concluded that, as at January 12, 2016, the date of the RBC Fairness Opinion, and subject to the assumptions, limitations, qualifications and other matters contained therein, the consideration payable under the Shaw Media Acquisition was fair, from a financial point of view, to Corus. As of January 12, 2016, the designated professionals of RBC, as a group, beneficially owned, directly and indirectly, less than 1% of the outstanding securities of Corus and its affiliates and associates.

## **ADDITIONAL INFORMATION**

Additional information relating to Corus may be found on SEDAR at [sedar.com](http://sedar.com). Additional information regarding directors' and officers' remuneration, and securities authorized for issuance under equity compensation plans, will be contained in Corus' information circular for the annual meeting to be held on January 10, 2018. Additional financial information is provided in the Company's audited consolidated financial statements and MD&A for the year ended August 31, 2017. Financial information and additional information relating to Corus may be found at [corusent.com](http://corusent.com).

## **CORPORATE GOVERNANCE PRACTICES**

The Board of Directors of the Company endorses the principles that sound corporate governance practices ("Corporate Governance Practices") are important to the proper functioning of the Company and the enhancement of the interests of the shareholders.

The Company's Statement of Corporate Governance Practices as they compare to the CSA Guidelines on Corporate Governance under National Instrument 58-101 *Disclosure of Corporate Governance Practices* is posted on the Company's website within the annual Management Information Circular and the charters of the Board of Directors and Human Resources and Compensation Committee may be found on the Company's website at [www.corusent.com](http://www.corusent.com) in the Investor Relations section.

## Schedule A

### AUDIT COMMITTEE CHARTER

#### 1. Mandate

The mandate of the Audit Committee (the "Committee") shall be to provide assistance to the Board of Directors (the "Board") of Corus Entertainment Inc. ("Corus" or the "Company") in fulfilling their oversight responsibilities relating to: (i) the integrity of the Company's financial statements; (ii) the Company's compliance with legal and regulatory requirements; (iii) the external auditor's qualifications and independence; and, (iv) the performance of the Company's internal audit function and external auditors.

In fulfilling its mandate, it is the responsibility of the Committee to maintain free and open communication between the Committee, external auditors, the internal auditors, and management of the Company, and to determine that all parties are aware of their responsibilities.

#### 2. Composition and Operations

- 2.1 The Committee shall be composed of three or more directors, as determined and appointed by the Board on an annual basis. Every Committee member must be independent as defined by National Instrument 52-110 Audit Committees. In this regard, to maintain their independence, members of the Committee may not accept any consulting, advisory or other compensatory fee (other than regular Board and Committee fees) from the Company or any of its affiliates. Members also may not receive any indirect payments from the Company or any of its affiliates, including payments (whether or not material) made to spouses or family members, or payments for services to law firms, accounting firms, consulting firms and investment banks for which the Committee member serves as a partner, member, managing director or executive. The members of the Committee and the Chair will be appointed annually by the Board and each member shall serve until the next Annual General Meeting of the shareholders of the Company or until his or her earlier resignation or removal by the Board.
- 2.2 Every Committee member must be financially literate as defined by National Instrument 52-110 Audit Committees. The determination of whether any given member of the Committee meets such definition, will be made by the Board, in consultation with the Corporate Governance Committee, in accordance with applicable laws, policies and guidelines of securities regulatory authorities.
- 2.3 The Committee should meet at least quarterly. Special meetings should be authorized at the request of any member of the Committee or at the request of the external auditor, internal auditor or senior members of management. The external and internal auditors should have the right to attend all meetings of the Committee.
- 2.4 The Committee has access to Corus senior management and documents as required to fulfill its responsibilities and is provided with the resources necessary to carry out its responsibilities.
- 2.5 The Board should be kept informed of the Committee's activities by a report following each Committee meeting. The person designated to act as secretary should prepare minutes of all meetings, to be filed in the corporate records.
- 2.6 The Committee has the authority to engage the services of independent outside advisors or counsel in consultation with the Executive Chair and to set and pay the compensation for these advisors.
- 2.7 The secretary to the Committee shall be either the Corporate Secretary or a person delegated by the Chair and that person will be responsible to keep minutes of all meetings.
- 2.8 Notice of each meeting of the Committee shall be given to each member of the Committee as far in advance of the time for the meeting as possible, but in any event, not later than 24 hours preceding the time stipulated for the meeting (unless otherwise waived by all members of the Committee). Each notice of meeting shall state the nature of the business to be transacted at the meeting in reasonable detail and to the extent practicable, be accompanied by copies of documentation to be considered at the meeting.
- 2.9 A quorum for the transaction of business at a meeting shall consist of not less than a majority of the members of the Committee. Members of the Committee may participate in any meeting by means of such telephonic, electronic or other communication facilities as permit all persons participating in the meeting to communicate adequately with each other, and a member participating by any such means shall be deemed to be present at that meeting. Senior management of the Company and other parties may attend meetings of the Committee, as may be deemed appropriate by the Committee.

### 3. Duties and Responsibilities

The Committee has the responsibilities and powers set forth in this Charter:

#### **General**

- 3.1 The Committee shall review and reassess the charter at least annually and obtain the approval of the Board.
- 3.2 The Committee shall perform an evaluation of its performance at least biennially to determine whether it is functioning effectively.
- 3.3 The Committee shall meet separately, periodically, as it deems appropriate, with management, with internal auditors and with external auditors.

#### **Financial Statements and other Reports**

- 3.4 The Committee has the authority to communicate directly with the internal and external auditors and shall review the Company's quarterly and annual financial statements, Management's Discussion and Analysis ("MD&A"), Annual Information Form ("AIF"), Management Information Circular ("MIC") and annual and interim earnings press releases prior to their release and make recommendations to the Board for their approval. In addition, the Committee will review any report of management that accompanies published financial statements.
- 3.5 The Committee's review of the annual audited financial statements shall include but are not limited to the following:
  - a) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles;
  - b) major issues as to the adequacy of the Company's internal controls and any specific remedial actions adopted in light of material control deficiencies;
  - c) discussions with management and the external auditors regarding significant financial reporting issues and judgments made in connection with the preparation of the financial statements and the reasonableness of those judgments;
  - d) consideration of the effect of regulatory accounting initiatives, as well as off-balance sheet structures on the financial statements;
  - e) consideration of the judgment of both management and the external auditors about the quality and disclosure, not just the acceptability, of accounting principles;
  - f) the clarity of the disclosures in the financial statements; and
  - g) discussions with management and the external auditors regarding accounting adjustments that were noted or proposed by the external auditors but were "passed" (as immaterial or otherwise).
- 3.6 The Committee shall, on an annual basis, review and assess the adequacy of the Company's procedures in place for the review of the Company's public disclosure of financial information extracted or derived from the issuer's financial statements, other than the information referred to in subsection 3.5.

#### **Risk Management, Internal Controls and Information Systems**

- 3.7 The Committee shall discuss with management, the internal auditors and the external auditors the adequacy and effectiveness of disclosure controls and procedures and internal control over financial reporting, including any significant deficiencies or material weaknesses identified by management of the Company in connection with its required quarterly certifications with securities regulatory authorities.
- 3.8 The Committee shall review management's assessment of the effectiveness of internal control over financial reporting as of the end of the most recent fiscal year.
- 3.9 The Committee shall review with management, the external auditor and if necessary with legal counsel, any litigation, claim or other contingency, including tax assessments that could have a material effect upon the financial position or operating results of the Company, and the manner in which these matters have been disclosed in the financial statements.
- 3.10 The Committee shall monitor compliance with statutory laws and regulations and obtain regular updates from management and the Company's legal counsel regarding compliance matters.
- 3.11 The Committee is responsible for establishing appropriate processes and procedures for the receipt, retention, and treatment of accounting, internal controls or auditing matter complaints received by the company. In

addition the Committee shall ensure that the company has a mechanism to allow employees to communicate concerns regarding questionable accounting or auditing matters on a confidential, anonymous basis without fear of reprisal.

- 3.12 The Committee shall discuss the Company's policies with respect to risk assessment and risk management, including the risk of fraud. The Committee also shall review, on a quarterly basis, management's risk assessment of key enterprise risks and the steps management has taken to monitor and control such exposures.

#### **External Audit Services**

- 3.13 The external auditors will report directly to the Committee.

- 3.14 The Committee will recommend to the Board of Directors:

- a) the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services of the Company; and
- b) the compensation of the external auditor.

- 3.15 The Committee will oversee the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, including but not limited to the following:

- a) reviewing objectives and scope of audit, review or attest services;
- b) reviewing the results of the external audit and any changes in accounting practices or policies and the financial statement impact thereof;
- c) reviewing any accruals, provisions or estimates that have a significant effect upon the financial statements; and
- d) reviewing any audit problems or difficulties encountered during the course of the audit work, including any restrictions on the scope of the external auditors' activities or access to requested information, and management's response.

- 3.16 The Committee will pre-approve all audit and non-audit services provided to the Company or its subsidiaries by the external auditors and shall not engage the external auditors to perform non-audit services proscribed by law or regulation.

- 3.17 The Committee may delegate to one or more members of the Committee the authority to pre-approve any audit and non-audit services up to a pre-determined cap in satisfaction of the requirement under subsection 3.17.

- 3.18 The pre-approval of audit and non-audit services pursuant to subsection 3.17 must be presented to the Committee at its first scheduled meeting following such pre-approval.

- 3.19 The Committee shall determine that the external audit firm has a process in place to address the rotation of the lead audit partner and other audit partners serving the account in accordance with applicable laws, policies and guidelines of securities regulatory authorities.

- 3.20 At least annually, the Committee shall obtain and review a report by the external auditors describing: (i) the audit firm's internal quality control procedures; (ii) any material issues raised by the most recent internal quality control review, or peer review, of the audit firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the audit firm, and any steps taken to deal with any such issues; and (iii) all relationships between the external auditors and the Company (to assess the auditor's independence).

- 3.21 The Committee shall review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors.

### ***Internal Audit***

3.22 The internal auditors will report directly to the Committee.

3.23 The Committee will oversee the work of the internal auditor including but not limited to the following:

- a) reviewing the objectives and scope of internal audit plans;
- b) reviewing the quarterly reports summarizing audit activities for the quarter;
- c) reviewing the audit findings of internal audits;
- d) reviewing the findings from any special investigations as needed; and
- e) reviewing any audit problems or difficulties encountered during the course of the audit work, including any restrictions on the scope of the internal auditors' activities or access to requested information, and management's response.

### **4. Committee Timetable**

The Committee shall fulfill its oversight responsibilities primarily by carrying out the activities set forth in a detailed quarterly schedule, as well as all such other actions which may be incidental thereto or which may be necessary for the Committee to comply with the spirit and intent of this Charter. The items enumerated in the schedule are not intended to be exhaustive of the duties of the Committee. The schedule is reviewed annually by the Board and may be supplemented and revised from time to time as may be appropriate.

### **5. Committee Chair – Job Description**

At the time of the annual appointment of the members of the Audit committee, the Board of Directors shall appoint a Chair of the Audit Committee. In the absence of the appointed Chair of the Committee from any meeting, the members shall elect a Chair from those in attendance to act as Chair of the meeting. The Chair shall: be a member of the Audit Committee, preside over all Audit Committee meetings, coordinate the Audit Committee's compliance with this charter, work with management to develop the Audit Committee's annual work-plan and provide reports of the Audit Committee to the Board. The Chair may vote on any matter requiring a vote and shall provide a second vote in the case of a tie vote.

**CORUS.**