



# ANNUAL INFORMATION FORM

For the fiscal year ended March 31, 2020

## TABLE OF CONTENTS

<b>1 Corporate structure</b>	<b>3</b>
1.2 Name, Address and Incorporation	3
1.3 Subsidiaries and Inter-corporate Relationships	4
<b>2 Description of the business</b>	<b>4</b>
2.1 Business Overview	4
2.2 Aerospace Segment	5
2.3 Decentralized Operations	7
2.4 Human Resources	10
2.5 Environmental Matters	10
2.6 Health and Safety	11
2.7 Risk Factors	11
<b>3 General development of the business over the last three fiscal years</b>	<b>13</b>
<b>4 Dividends</b>	<b>14</b>
<b>5 Description of capital structure</b>	<b>15</b>
<b>6 Market for securities</b>	<b>16</b>
<b>7 Escrowed shares and shares subject to contractual restrictions on transfer</b>	<b>16</b>
<b>8 Directors and executive officers</b>	<b>17</b>
<b>9 Interest of experts</b>	<b>18</b>
<b>10 The audit committee</b>	<b>18</b>
<b>11 Legal proceedings</b>	<b>21</b>
<b>12 Interest of management and others in material transactions</b>	<b>21</b>
<b>13 Transfer agent and registrar</b>	<b>21</b>
<b>14 Material contracts</b>	<b>21</b>
<b>15 Addition information</b>	<b>21</b>
<b>Schedule A - Mandate of the audit committee</b>	<b>23</b>

## FORWARD-LOOKING STATEMENTS

Certain statements contained under the headings “Description of the Business” and “General Development of the Business over the last three fiscal years” of this annual information form constitute forward-looking statements. These statements relate to future events or the Corporation’s future performance, business or opportunities. All statements other than statements of historical fact may be forward-looking statements. The use of any of the words “aim”, “anticipate”, “assumption”, “believe”, “continue”, “expect”, “foresee”, “forecast”, “guidance”, “intend”, “may”, “plan”, “predict”, “should”, “will” and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Corporation believes the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct, and such forward-looking statements included in this annual information form should not be unduly relied upon. Unless otherwise required by applicable securities laws, the Corporation expressly disclaims any intention, and assumes no obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise. These statements only hold true as of the date of this annual information form and reference is made to the “Risk Factors” subheading for further discussion about the inherent risks and uncertainties surrounding future expectations. These factors should not be construed as exhaustive.

Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to assumptions about:

- The impact of worldwide general economic conditions;
- Industry conditions including changes in laws and regulations;
- The impact of ongoing COVID-19 pandemic;
- The level of competition;
- The lack of availability of qualified personnel or management;
- The availability of commodities and fluctuations in commodity prices;
- Financial and operational performance of suppliers and customers; and
- Foreign exchange or interest rate fluctuations.

## 1. CORPORATE STRUCTURE

### 1.1 Name, Address and Incorporation

Héroux-Devtek Inc. (the “**Corporation**” or “**Héroux-Devtek**”) was initially incorporated on March 17, 1942 by letters patent issued pursuant to Part I of the *Companies Act* (Québec) under the name Héroux Machine Parts Limited. Supplementary letters patent amending the Corporation’s borrowing powers, name and share capital, among other provisions, were issued on July 6, 1943, August 17, 1947, March 13, 1967, May 25, 1978 and December 15, 1978. The Corporation was continued under Part IA of the *Companies Act* (Québec) by a certificate of continuance dated September 30, 1982. The Corporation is now subject to the *Business Corporations Act* (Québec) which was enacted on February 14, 2011.

On June 26, 1985, the Corporation amalgamated with 2320-4894 Québec Inc., a management company incorporated by the Corporation’s then two senior executives, Gilles Labbé and Sarto Richer, in connection with the sale by Bombardier Inc. of its shares in the Corporation. In June 2000, the Corporation announced the successful completion of its take-over bid for all the shares of Devtek Corporation (“**Devtek**”), a public company whose shares were listed on the Toronto Stock Exchange (the “**TSX**”). Devtek was a Toronto-based well-established manufacturer of systems, assemblies, and components for the aerospace industry. Articles of amendment were filed on September 8, 2000 to change the Corporation’s name to its current name following the acquisition of Devtek, effective June 12, 2000.

On March 30, 2006, Héroux-Devtek Aerostructure Inc., an indirect wholly-owned subsidiary of the Corporation, was wound up into the Corporation and all the assets, including the three plants owned by it, were transferred to the Corporation. The operations formerly conducted by Héroux-Devtek Aerostructure Inc. in Dorval, by Les Industries C.A.T. Inc. in Montreal and by Magtron Precision (“**Magtron**”) in Toronto were then operated by the Aerostructure Product Line of the Corporation. As discussed later in this document, Les Industries C.A.T. Inc. was closed in 2010, its operations were integrated into other landing gear facilities and the Dorval facility was sold, as part of the divestiture of the Aerostructure and Industrial divisions, to Precision Castparts Corporation (“**PCC**”), in August 2012 (see below).

On July 16, 2012, the Corporation executed a definitive agreement for the sale of substantially all of its Aerostructure and Industrial Product Lines operations to PCC, a public company whose shares are traded on the New York Stock Exchange (the “**Sale Transaction**”). The Sale Transaction was completed on August 31, 2012. Prior to the Sale Transaction, the Aerostructure Product Line was part of the Corporation’s Aerospace segment, while Industrial Product Line formed the Industrial segment.

On February 3, 2014, the Corporation acquired the entire share capital of United Kingdom (“**U.K.**”) based APPH Limited and United States (“**U.S.**”) based APPH Wichita, Inc. (together “**APPH**”), subsidiaries of BBA Aviation Plc. APPH is an integrated provider of landing gear and hydraulic systems and assemblies for original equipment manufacturer (“**OEM**”) and aftermarket applications. APPH Limited is based in Runcorn, Nottingham and Bolton in the U.K., and APPH Wichita, Inc. is based in Wichita, Kansas.

On July 2, 2018, Héroux-Devtek completed the acquisition of all the shares of Beaver Aerospace & Defense, Inc. and its wholly-owned subsidiary PowerTHRU, Inc. (together “**Beaver**”). Beaver is a vertically integrated manufacturer with a growing portfolio of company-designed products. Beaver designs and manufactures custom ball screws from a variety of materials based on customer and application requirements as well as designs, manufactures, assembles and tests electromechanical actuators. Beaver is based in Livonia, Michigan.

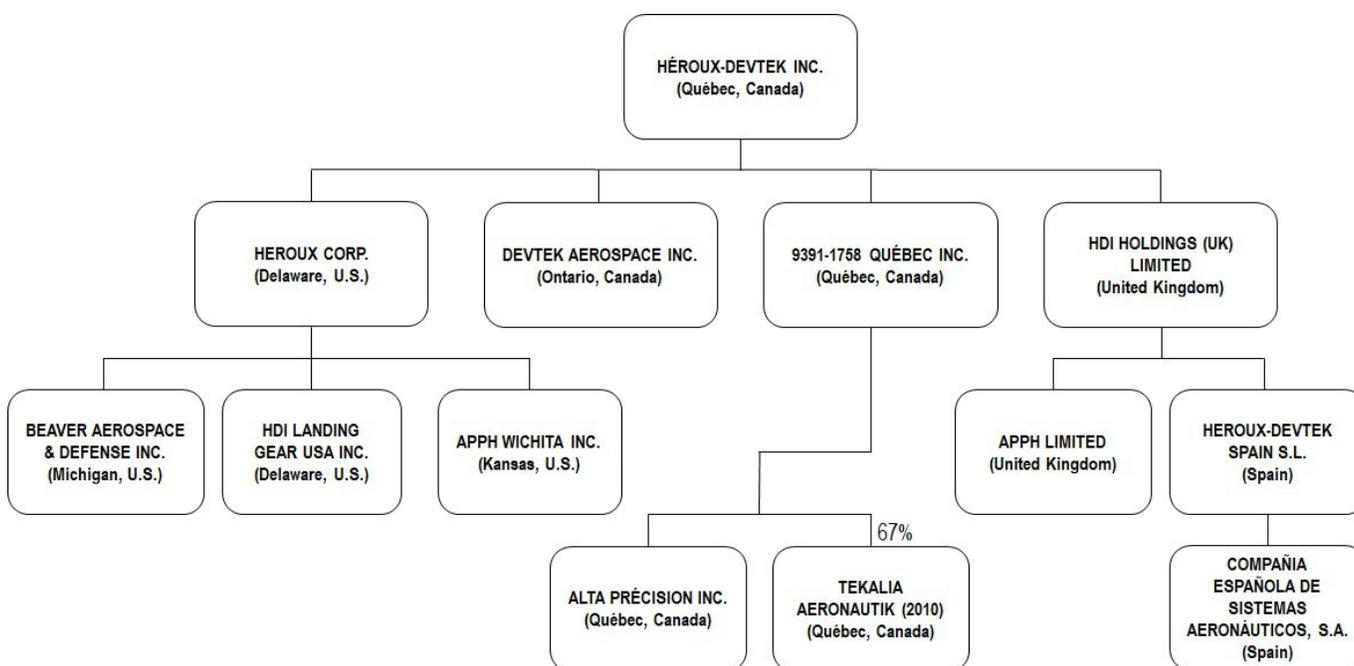
On October 1<sup>st</sup>, 2018, the Corporation completed the acquisition of Compañía Española de Sistemas Aeronáuticos, S.A. (“**CESA**”), a subsidiary of Airbus SE. CESA is a leading European provider of fluid mechanical and electromechanical systems for the aerospace industry. Its main product lines include actuation and hydraulic systems as well as landing gear products. CESA is based in Madrid and Seville, Spain.

On June 7, 2019, the Corporation completed the acquisition of all the shares of Alta Précision Inc., a manufacturer of high-precision landing gear components located in Montreal, Quebec. In April 2020, in light of the ongoing COVID-19 pandemic, Héroux-Devtek announced the closure of its Alta Précision facilities as part of a restructuring plan.

The Corporation has its principal and registered offices at Suite 600, West Tower, 1111 Saint-Charles Street West, Longueuil, Québec, J4K 5G4. The Corporation’s fiscal year-end is March 31<sup>st</sup>. Unless indicated otherwise, “Corporation” or “Héroux-Devtek” when used hereinafter refer to Héroux-Devtek Inc. and its subsidiaries.

## 1.2 Subsidiaries and Inter-corporate Relationships

The following organization chart shows the simplified corporate structure of the Corporation, its subsidiaries, all of which are wholly-owned, either directly or indirectly, except for Tekalia Aeronautik, (“Tekalia”) as well as their respective jurisdiction of incorporation:



## 2. DESCRIPTION OF THE BUSINESS

### 2.1 Business Overview

Héroux-Devtek specializes in the design, development, manufacture and repair and overhaul (“**R&O**”) of landing gear, hydraulic and electromechanical flight control actuators, custom ball screws and fracture critical components for the Aerospace market.

The Corporation is the third largest landing gear manufacturer in the world, supplying both the commercial and defence sectors. The Corporation covers European, North American and Asian markets. In the commercial sector, the Corporation is active in the large commercial and business jet, regional aircraft and helicopter markets. On the defence side, the Corporation provides systems, parts and services for defence aircraft in both the U.S. and in Europe. As such, a significant portion of the Corporation’s sales are made to a limited number of customers located in Europe, the U.S. and Canada.

## 2.2 Aerospace Segment

The Aerospace segment is divided into three main markets: the commercial aircraft market, the defence aircraft market and the business aircraft market. Commercial aircraft are manufactured by OEMs and sold to airlines. Defence aircraft are manufactured by many of the same OEMs as commercial aircraft, but are mainly sold to governments. Business aircraft are generally sold directly to consumers or to fleet operators.

While as a whole, this means that Héroux-Devtek's customers remain OEMs from an original equipment standpoint, this means that the demand for aircraft varies according to different factors. Commercial and business aircraft demand can be forecasted based on passenger travel and GDP, whereas defence aircraft demand is driven by geopolitical climate and defence budgets.

### *COVID-19 pandemic*

At the beginning of calendar year 2020, the COVID-19 pandemic is having an unprecedented impact on the aviation and aerospace industry, particularly for commercial air travel. Global flights were down 80% in early April 2020<sup>(1)</sup>, and the fallout of global lockdowns is widely expected to result in the worst economic downturn since the Great Depression.

Airlines facing travel bans, grounded fleets and negative demand outlooks are delaying deliveries and canceling orders of new commercial aircraft, which in turn is pushing OEMs to reduce production rates. Worldwide, supply chains are also disrupted by varying degrees of government-imposed lockdowns as well as the direct impact on manufacturing facilities of virus outbreaks.

These conditions combine for a rarely-before-seen degree of uncertainty in any financial projections as it is almost impossible to estimate the length or severity of either the pandemic or the economic disruption caused by the efforts to contain it.

### *Commercial Aircraft Market*

The commercial aircraft market can be subdivided into the following segments: large jetliners, regional jetliners, business aircraft and civil helicopters.

Two key performance indicators monitored to determine the health of the commercial aircraft market are revenue passenger kilometers ("RPK") and cargo tonne kilometers ("CTK").

RPK fell by a steep 52.9% year-over-year in March at the height of the COVID-19 pandemic, the largest decline in recent history according to the International Air Transport Association ("IATA")<sup>(2)</sup>. After recording double-digit growth in the month of January and being flat in February, the number of flights has decreased almost 80% by early April vs. the prior year, also according to IATA<sup>(1)</sup>. Airlines have continued to operate domestic flights in the USA, some European markets and Asia, but international passenger travel has yet to resume meaningfully at this time.

IATA forecasts a 48% decline in RPKs in 2020 over 2019, on the basis that domestic travel gradually starts resuming in calendar Q3 and that international travel gradually starts resuming in calendar Q4<sup>(1)</sup>. The latest IATA projections for 2021 forecast a global RPK level 32-42% below the pre-COVID-19 growth trajectory<sup>(3)</sup>

In addition to generating delays in the delivery of new aircrafts from manufacturers to airlines, the Corporation expects a significant decrease in the demand for aftermarket (lower available seat miles, de-stocking, deferred maintenance/upgrades), due to the high percentage of grounded fleet - estimated at 80% at the peak of the pandemic.<sup>(1)</sup>

While it remains early to determine the speed and extent of the full recovery, most industry analysts expect to see air travel start resuming gradually in some Asian markets by the end of calendar Q2, with a more substantial recovery - perhaps to 30-50% of historic levels in calendar Q3. The latest Teal Group forecast calls for a 24% contraction of the overall civil aviation market in 2020<sup>(3)</sup>.

Air cargo volume, measured in CTK, contracted 15.2% year-over-year in March 2020<sup>(4)</sup>, marking the twelfth consecutive month of year-over-year decline, due to the recent COVID-19 impact and exacerbated by the ongoing trade disputes and other geopolitical factors.

According to IATA, air cargo capacity has trended at approximately 70-90% of historic levels across regions<sup>(5)</sup> and should remain relatively immune to COVID-19 going forward<sup>(3)</sup>. However, as it had customarily been the case in prior recessions, air cargo activity should reflect the more modest economic activity and overall reduced consumer spending forecasted in the quarters ahead. The most recent IATA forecasts, which are based on the World Trade Organization's latest world trade scenarios, call for a decline of 14 to 31% of cargo volumes (CTK) for 2020<sup>(5)</sup>.

Although supported in part by a surge in the transportation of medical and pharmaceutical supplies, the air cargo market is expected to continue to face a somewhat challenging business environment with significant regional performance differences<sup>(5)</sup> driven by the timing at which economies re-open and depending namely on the potential for future COVID-19 waves of epidemic resurgence<sup>(4)</sup>.

Meanwhile, in the large commercial aircraft sector, The Boeing Company's commercial airplanes order backlog stood at nearly 5,000 airplanes in the first quarter of 2020, down approximately 9% over pre-COVID-19 levels<sup>(6)</sup>. Airbus' commercial aircraft order book stood at 7,650 aircrafts at the end of the first quarter of 2020, up 4% year-over-year<sup>(7)</sup>.

### *Defence Aircraft Market*

According to the Stockholm International Peace Research Institute ("Sipri"), global defence expenditures reached over US\$1.9 trillion in 2019, the single largest year-over-year increase in over a decade<sup>(6)</sup>. Also according to Sipri, defence spending by the U.S. grew by 5.3% to a total of US\$732 billion in 2019<sup>(6)</sup>.

The Teal Group forecasts that fighter jets, which account for a key portion of the Corporation's defence sales, is the defence aerospace subcategory that is expected to grow the fastest in 2020, with a 2.9% growth target year-over-year<sup>(9)</sup>. Overall, the Teal Group expects the entire defence aerospace market to be flat in 2020 and notes that it remains a "relatively stable" market due to the rising global tensions and an aging fleet.<sup>(9)</sup> Additionally, the defence aftermarket is expected to remain strong in 2020, with de-stocking, combat missions, training programs and humanitarian missions all unlikely to decline<sup>(10)</sup>.

### *Business Aircraft Market*

The business aircraft market demand is more volatile than commercial and defence aircraft market. Most of its activity is located in North America. Since the beginning of the COVID-19 pandemic, global business aviation has been less impacted than the commercial aircraft market. The near-total shutdown of commercial aviation led to a peak in demand of private transportation. While non-essential traveling might be significantly reduced over the next few years, an increase in demand from anxious flyers willing to avoid crowded airports and aircrafts is expected.

### *Aerospace Aftermarket*

The aviation aftermarket consists primarily of the supply of replacement or substitute components and the servicing of commercial and defence aircraft. The U.S. ranks as the world's largest aviation market, which is why the Corporation's aftermarket services are mainly aimed at that market. The U.S. also operates the largest fleet of defence aircraft in the world.

The U.S. aircraft fleet is maintained by a diversified maintenance, repair, and overhaul ("**MRO**") industry that comprises airlines, OEMs and defence and independent repair stations such as the Corporation. MRO firms that maintain the U.S. aircraft fleet range from small independent repair stations to the largest airlines and OEMs.

On commercial aircraft, maintenance procedures and standards are regulated by the Federal Aviation Administration ("**FAA**") in the U.S., by Transport Canada in Canada, and by the European Aviation Safety Agency ("**EASA**") in Europe. The FAA, Transport Canada and the EASA ensure that aircraft operating in the U.S., Canada and Europe respectively, are airworthy and are maintained by certified repair stations and by duly qualified, skilled, and well-equipped workforce.

<sup>(1)</sup> Source: COVID-19 Updated Impact Assessment, IATA, report issued April 14, 2020.

<sup>(2)</sup> Source: Air Passenger Monthly Market Analysis, IATA, March 2020, issued April 29, 2020.

<sup>(3)</sup> Source: COVID-19 Outlook for air travel in the next 5 years, IATA, May 13, 2020.

<sup>(4)</sup> Source: Air Cargo Market Analysis, IATA, March 2020, published April 28, 2020.

<sup>(5)</sup> Source: COVID-19 Assessing prospects for air cargo, IATA, April 28, 2020

<sup>(6)</sup> Source: Boeing Reports First Quarter Results press releases issued April 24, 2020 and April 24, 2019.

<sup>(7)</sup> Source: Airbus Key Figures on [www.airbus.com/investors](http://www.airbus.com/investors) for Q1 2020 and Q1 2019.

<sup>(8)</sup> Source: Stockholm International Peace Institute, World Military Expenditures, press release issued April 27, 2020.

<sup>(9)</sup> Source: COVID-19 And Civil Aviation Markets, Teal Group, May 4, 2020.

<sup>(10)</sup> Source: COVID-19 And Military Aerospace Markets, Teal Group, March 2020.

## 2.3 Decentralized Operations

The Corporate Office is involved in all major business development decisions, including strategic and long term goals for the Corporation, mergers and acquisitions, regulatory matters, IT technology, finance, tax, legal matters, internal audit and public reporting. The Corporate Office also provides valuable supervisory, administrative services and leadership monitoring to the various business units' key management personnel. Business units otherwise have their own operational, financial and personnel management and act in a decentralized manner under a common framework of processes and controls.

The specialization of each site is as follows:

St-Hubert	Québec, Canada	Center of excellence for design engineering, product support and technical expertise including a state-of-the-art testing facility.
Longueuil	Québec, Canada	Center of excellence for R&O activities and for the finishing and assembly of landing gear.
Laval	Québec, Canada	Center of excellence for manufacturing and assembly of actuators and manufacturing of small to medium landing gear components.
Montréal <sup>(1)</sup> (Pointe-aux-Trembles)	Québec, Canada	Center of excellence for surface treatment of landing gear components.
Montréal (Anjou) <sup>(2)</sup>	Québec, Canada	Center of excellence for manufacturing of medium complex landing gear components.
Kitchener	Ontario, Canada	Center of excellence for manufacturing of medium to large complex landing gear components.
Cambridge	Ontario, Canada	Center of excellence for manufacturing ultra-large-scale complex landing gear components.
Toronto	Ontario, Canada	Center of excellence for electronic enclosures, heat exchangers and cabinets.
Wichita	Kansas, U.S.	R&O activities and manufacturing of hydraulic system and components.
Everett	Washington, U.S.	Center of excellence for final assembly of landing gear.
Springfield	Ohio, U.S.	Center of excellence for manufacturing of medium to large complex landing gear and titanium components.
Strongsville (Greater Cleveland)	Ohio, U.S.	Center of excellence for the finishing and assembly of landing gear.
Livonia	Michigan, U.S.	Center of excellence for design and manufacture ball screws and electro-mechanical linear actuators system.
Runcorn	Cheshire, U.K.	Center of excellence for R&O activities, finishing and assembly of landing gear, product support, testing and design engineering.
Nottingham	Nottinghamshire, U.K.	Center of excellence for manufacturing of small to medium landing gear components.
Bolton	Westhoughton, U.K.	Center of excellence for designing, manufacturing, assembling and testing of fluid filtration applications.
Madrid	Spain	Center of excellence for designing and qualifying, manufacturing and repairing actuation and hydraulic systems.
Seville	Spain	Center of excellence for assembly and installation of aircraft components at customer assembly lines.

(1) The Corporation owns 67% of the issued and outstanding common shares of Tékalia Aéronautik (2010) inc.

(2) On May 5, 2020, in light of the COVID-19 pandemic, the Corporation announced restructuring initiatives of approximately \$12 million, including the closing of the Montreal (Anjou) facility, formerly known as Alta Précision.

The following table contains a description of management positions, plant locations and other corporate management information as of the date of this annual information form:

<b>Corporate Management</b>			
<b>HÉROUX-DEVTEK INC.</b> Complexe Saint-Charles 1111 Saint-Charles Street West Suite 600, West Tower Longueuil, Québec Canada J4K 5G4	<b>GILLES LABBÉ</b> Executive Chairman of the Board	<b>JEAN GRAVEL</b> Vice-President, Sales and Program management	<b>JULIE LAPOINTE</b> Director, Financial Reporting
	<b>MARTIN BRASSARD</b> President and Chief Executive Officer	<b>STÉPHANE RAINVILLE</b> Vice-President, Human Resources	<b>OLIVIER PERRON</b> Director, Tax
	<b>STÉPHANE ARSENAULT</b> Vice-President and Chief Financial Officer	<b>ALEXANDRE VERDON</b> Vice-President, Business Development, Mergers and Acquisitions	<b>STEVE PLOURDE</b> Director, Internal Audit & Corporate Governance
		<b>PATRICK GAGNON</b> Vice-President and Corporate Controller	<b>JEAN-PHILIPPE SANCHE</b> Director, Legal Affairs
<b>Operations</b>			
<b>Dominique Dallaire</b> Vice-President, Eastern Region  755 Thurber Street Longueuil, Québec Canada J4H 3N2	<b>Jack Curley</b> Vice-President, Central Region  15900 Foltz Industrial Parkway Strongsville, Ohio USA 44149	<b>Gaétan Roy</b> Managing Director, UK Region  8 Pembroke Court, Manor Park, Runcorn, Cheshire United Kingdom	
<b>Daniel Normandin</b> Vice President, Engineering, Quality Assurance and Environment  4925 Chemin de la Savane St-Hubert, Québec Canada J3Y 9G1	<b>Marc-Olivier Gagnon</b> Vice-President, Product Support  4925 Chemin de la Savane St-Hubert, Québec Canada J3Y 9G1	<b>Jose Manuel Leal Rocafull</b> General Manager, Spain Region  Paseo John Lennon, 4 28906 Getafe, Madrid Spain	
<b>Michael Meshay</b> Vice-President, Toronto, Wichita and Livonia plants  11850 Mayfield, Livonia, Michigan USA 48150			

## Properties

The Corporation has nineteen sites including the Corporate Office, nine of which are located in Canada, three in the U.K., five in the U.S and two in Spain. The following table briefly describes the features of each site:

Location	Size	Use	Status
Longueuil, Québec, Canada	9,927 sq. ft.	Corporate office, responsible for all financial and major business development decisions.	Leased
Longueuil, Québec, Canada	191,400 sq. ft.	R&O activities and for the finishing and assembly of landing gear.	Owned
St-Hubert, Québec, Canada	28,000 sq. ft.	Engineering office providing technical expertise including a state-of-the-art test laboratory.	Owned
Laval, Québec, Canada	45,000 sq. ft.	Manufacture and assembly of actuators and manufacture small to medium landing gear components.	Owned
Montréal, Québec Canada <sup>(1)</sup> (Pointe aux Trembles)	63,724 sq. ft.	Surface treatment of landing gear components.	Leased
Montréal, Québec, Canada (Anjou) <sup>(2)</sup>	72,000 sq. ft.	Manufacture of medium complex landing gear components	Leased
Kitchener, Ontario, Canada	99,000 sq. ft.	Manufacture medium to large complex landing gear components.	Owned
Cambridge, Ontario, Canada	108,000 sq. ft.	Manufacture ultra-large-scale complex landing gear components.	Owned
Toronto, Ontario, Canada	36,000 sq. ft.	Manufacture electronic enclosures, heat exchangers and cabinets.	Leased
Springfield, Ohio, U.S.	105,000 sq. ft.	Manufacture medium to large complex landing gear and titanium components.	Owned
Strongsville (Greater Cleveland), Ohio, U.S.	101,600 sq. ft.	Finishing, sub-assemblies and assembly of landing gear.	Owned
Wichita, Kansas, U.S.	63,000 sq. ft.	R&O activities and manufacture hydraulic system and components.	Owned
Everett, Washington, U.S.	21,400 sq. ft.	Final assembly of landing gear.	Leased
Livonia, Michigan, U.S	82,227 sq. ft.	Design and manufacture ball screws and electro-mechanical liner actuators system.	Leased
Runcorn, Cheshire, U.K.	80,400 sq. ft.	R&O activities, finishing and assembly of landing gear and design engineering.	Leased
Nottingham, Nottinghamshire, U.K.	48,000 sq. ft.	Manufacture small to medium landing gear components.	Owned
Bolton, Westthoughton, U.K.	15,000 sq. ft.	Design, manufacture, assembling of filter and testing of fluid filtration applications.	Leased
Madrid, Spain	366,000 sq. ft.	Design & qualify, manufacture and repair actuation and hydraulic systems.	Owned
Seville, Spain	16,000 sq. ft.	Center of excellence for assembly and installation of aircraft components at customer assembly lines.	Leased

(1) The Corporation owns 67% of the issued and outstanding common shares of Tékalia Aéronautik (2010) inc.

(2) On May 5, 2020, in light of the COVID-19 pandemic, the Corporation announced restructuring initiatives of approximately \$12 million, including the closing of the Montreal (Anjou) facility, formerly known as Alta Précision.

## Competition

The markets in which the Corporation is active are characterized by tough competition with respect to price, delivery deadlines and quality of products and services.

The Corporation ranks third in the world in the landing gear manufacturing market. It is also involved in the landing gear and servomechanism R&O market. It is one of the largest independent providers of R&O services for military aircraft landing gear. Héroux-Devtek's main competitors are Safran Landing Systems, Collins Aerospace, Liebherr, and AAR Corporation ("AAR").

Management is of the opinion that the Corporation has a number of advantages over its competitors, such as its flexible and cost-effective management structure, its renowned quality and the reputation of its products and services, its international presence (North America and Europe) and its strong engineering team.

## Marketing Approach

The majority of the Corporation's business comes from aircraft OEMs or end users or distributors. A critical success factor is to take part in aircraft development programs from the beginning. Usually, this participation starts at the design stage, allowing it to enter programs as a risk-sharing partner.

Sales opportunities are derived by continuous customer relationships, gathering market intelligence and attending various trade shows and operator conferences.

## Customer Base

The Corporation serves a broad range of customers in the different markets in which it operates, mainly OEMs and Tier 1 system suppliers. Its commercial customers include Airbus, BAE Systems, Boeing, Dassault Aviation, Embraer, Leonardo, Lockheed Martin, Northrop Grumman, Saab, Safran Landing Systems and Textron, among others. The Corporation's governmental customers include the U.S. Air Force ("USAF"), the U.S. Navy, the Canadian Air Force, and NATO countries.

## Principal Customers

Principal customers are customers who represent more than 10% of the Corporation's sales. Héroux-Devtek's only principal customer is Boeing, who represented 22% of total sales in fiscal 2020. No other customer accounted for more than 10% of the Corporation's consolidated sales in the fiscal year ended March 31, 2020.

## Research and Development

The Corporation's research and development (R&D) costs for the year ended March 31, 2020 were incurred essentially by landing gear activities. They usually relate to specific development programs and are therefore included in these contracts' costs. The Corporation expects to invest about 5% of its total sales in R&D per year over the coming years.

## 2.4 Human Resources

The following table shows the total number of employees of the Corporation as at March 31, 2020 and 2019:

<u>Operations/Corporate Office</u>	<u>Number of Employees as at March 31,</u>	
	<u>2020</u> <sup>(1)</sup>	<u>2019</u> <sup>(2)</sup>
Operations	2,004	1,826
Corporate Office	25	22
<b>Total</b>	<b>2,029</b>	<b>1,848</b>

<sup>(1)</sup> The total number of employees was subsequently impacted by a restructuring initiative resulting in a 10% reduction of the total Corporation's workforce, or approximately 225 employees.

<sup>(2)</sup> The total number of employees as at March 31, 2019 excludes those of Alta Précision Inc., acquired in June 2019.

## 2.5 Environmental Matters

The Corporation's activities are subject to certain environmental laws and regulations associated with risks to the environment and human health. The Corporation is confident that it is in substantial compliance with all applicable environmental laws and regulations. As part of its environmental management system, the Corporation carries out Environmental Compliance Audits ("ECA") with external environmental auditors at least once every three years at all its manufacturing sites. In particular, five manufacturing plants of the Corporation are considered to be of higher potential environmental risk, due to the nature of their operations, which include various plating and chemical processes. These plants are audited on a yearly basis. The most recent ECAs were performed in calendar year 2019 at 8 manufacturing sites and an additional 11 ECAs are planned in calendar year 2020. All cases of non-compliance identified either during environmental audits or as part of the day-to-day operations were or are being corrected as scheduled. No non-compliance items reported in the ECA's represented unusual risks to the operations of the Corporation.

In addition, certain environmental conditions that may result from spills or discharge limit exceedances identified as part of the day-to-day operations have been reported to government authorities when required. In all such cases, corrective measures were explored and solutions were or are being implemented. The management of the Corporation is confident that it has taken all appropriate actions to maintain the level of risk within acceptable limits at all its manufacturing plants.

The Corporation's Environmental Policy is communicated to all employees.

As mentioned above, the Corporation is subject to several environmental laws and regulations, and as such, could be required in the future to make capital investments in equipment and facilities to meet the obligations coming from new legislation. The Corporation is committed to make all the necessary investments in order to comply with environmental requirements and standards.

## 2.6 Health and Safety

Among the Corporation's values are protecting the health and safety of its employees. Héroux-Devtek recognizes the importance of maintaining ongoing improvement in the safety of its workplace as its most valued assets are its employees. This also minimizes lost-time injuries and improves operational efficiency.

### *COVID-19 pandemic*

In response to the COVID-19 pandemic, in addition to travel restriction, each site management team must enforce strict protocols to mitigate transmission, including but not limited to:

- Physical distancing measures;
- Issuance of personal protective equipment;
- Staggering of shifts;
- Quarantine policies;
- Hygiene reinforcement; and,
- Work from home enhancements.

## 2.7 Risk Factors

The Corporation's business, financial condition and results of operations could be materially adversely affected by any of the risks and uncertainties described below. The risks and uncertainties described below are not the only ones facing the Corporation. For other risks and uncertainties facing the Corporation, reference is made to the section entitled "*Risk Management*" of the Corporation's Management's Discussion and Analysis for the fiscal year ended March 31, 2020 (filed on SEDAR at [www.sedar.com](http://www.sedar.com)), which section is hereby incorporated in, and forms part of, this annual information form. Additional risks and uncertainties not presently known to the Corporation or that the Corporation currently believes to be immaterial may also adversely affect its business.

### **COVID-19 Pandemic Risks**

The COVID-19 pandemic has created a period of unprecedented volatility and uncertainty in global economic conditions.

The spread of the virus has caused governments worldwide to enact wide-ranging methods in order to contain the spread of the virus, both locally and internationally, including travel bans, closure of borders, voluntary and compulsory quarantine, self-isolation and social distancing measures, closure of non-essential businesses and curfews.

These measures have resulted in an unprecedented decrease in commercial travel and significant disruption of commercial activity. This significant reduction in activity is resulting in financial market volatility and financial duress for companies and individuals. The duration and breadth of these effects is currently very difficult to predict.

The COVID-19 pandemic is a catalyst to many of the risk factors enumerated further below, and more specifically may cause:

- An isolated outbreak at one of Héroux-Devtek's facilities, disrupting operations, delaying deliveries, and causing financial losses;
- Operational inefficiencies and additional costs brought on by the effect of the pandemic and related mitigation methods on the workforce
- Closure or reduction of production of key suppliers, disrupting Héroux-Devtek's supply chain;
- Closure or reduction of production of customers, delaying deliveries;
- Financial duress for suppliers or customers, rendering key inputs unavailable or more costly or receivables uncollectible or subject to longer payment cycles;
- Global reduction in the demand for commercial aerospace products, resulting in production rate cuts by Airbus, Boeing and other OEMs;
- Significant volatility and weakness in global financial markets, resulting in a negative impact on our share price, our ability to access capital markets, our ability to complete business acquisitions as part of our growth strategy, and the value of our pension plan assets;
- Deferral of bid activities;
- Diversion of management attention.

Héroux-Devtek has put in place several measures in order to mitigate these risks, including:

- The creation of a steering committee to coordinate response;
- Local management teams at each of the Corporation's facilities;
- Restriction on all travel;
- Protocols at each location in order to mitigate transmission, including but not limited to:
  - Physical distancing measures;
  - Issuance of personal protective equipment;
  - Staggering of shifts;

- Quarantine policies;
- Hygiene reinforcement; and,
- Work from home enhancements.
- Enhanced communication with customers in order to better forecast disruptions in demand;
- Enhanced communication with suppliers in order to secure the supply chain;
- Additional scrutiny of credit assessments, review of overdue accounts, and provisioning of inventory.

In spite of these measures, the immediate and long-term impacts of the pandemic including related government and central bank interventions are unknown at this time, and any estimate thereof is subject to significant uncertainty. The COVID-19 pandemic may therefore have negative consequences, either directly or indirectly, on the Corporation's operations, cash flows, financial condition or profitability in the future that are currently unforeseen.

### ***Risk Associated with Business Activities***

The activities conducted by the Corporation are subject to operational risks that include competition from other businesses, performance of key suppliers, product performance warranties, in particular for proprietary products and major sales contracts, regulatory risks, successful integration of new acquisitions, dependence on key personnel and reliance on information systems, all of which could affect the Corporation's ability to meet its obligations.

However, the Corporation has implemented risk-mitigation strategies and controls, in light of these operational risks, which include the following:

- Processes to ensure proper bid approvals, planning, execution and use of quality standards at all stages of new design, manufacture or built-to-print products and assemblies, and R&O services. This includes the risk assessment of achieving the targeted revenues (firm-fixed price contracts, escalation clauses, etc.) and related product costs as well as the development of long-term agreements and competitive bidding processes with main suppliers.
- Use of proper cash flow arrangements through the use of customer advances, with certain customers, and foreign exchange hedging.

The Corporation is subject to the risk of litigation in the ordinary course of business by employees, customers, suppliers, competitors, shareholders, government agencies, or others, through private actions, class actions, administrative proceedings, regulatory actions or other litigation. The outcome of litigation is difficult to assess or quantify. Claimants in these types of lawsuits or claims may seek recovery of very large or indeterminate amounts, and the magnitude of the potential loss relating to these lawsuits or claims may remain unknown for substantial periods of time. Regardless of outcome, litigation could result in substantial costs to the Corporation. In addition, litigation could divert management's attention and resources away from the day-to-day operations and strategic objectives.

### ***Risks Associated with Contracts***

Although the Corporation has diversified its customer base in recent years, its business volume with some customers remains significant. Should there be a significant deterioration in their financial position or should the Corporation lose certain orders from these customers, there could be a negative material impact on its results. There are also specific risks relating to the Corporation's ability to perform and execute certain long-term contracts involving the Corporation and its subsidiaries, including risks relating to the expansion of the Corporation's existing facility network as well as the Corporation's ability to successfully complete required investments in leading-edge machinery and equipment for component manufacturing and system assembly, in each case on a timely basis and within anticipated budgets.

### ***Risks Associated with Raw Materials***

In connection with its manufacturing and distribution activities, the Corporation procures different materials and components as well as outside services. Major items include forgings and various metals. With respect to raw materials, the Corporation purchases mainly aluminum, steel, and titanium. The ability of suppliers to meet performance, quality, and delivery schedules is extremely important.

Depending on market conditions, delivery delays by forging houses may occur, thereby affecting the Corporation's ability to deliver finished parts on schedule. In the course of the Corporation's planning process, several measures have been taken to limit this risk.

### ***Risks Associated with Foreign Operations and Sales***

During the fiscal year ended March 31, 2020, approximately 91% of the Corporation's sales (92% last year) were made outside Canada, including 54% in the U.S. (54% last year). The majority of sales are in U.S. currency. In an effort to mitigate the foreign currency fluctuation exposures, the Corporation has put in place a foreign currency hedging policy.

As at March 31, 2020, the Corporation had forward foreign exchange contracts outstanding for a notional amount of \$404.7 million denominated in USD, EUR and GBP. This amount includes mainly contracts with nominal value of US\$266.4 million at a weighted-average rate of 1.3243 Canadian dollar over U.S. dollar ("**cad/usd**") (US\$146.9 million at a weighted-average rate of 1.3060 cad/usd as at March 31, 2019). These contracts mature at various dates between April 2020 and March 2025, with the majority maturing this fiscal year and the next.

The following tables show the distribution of sales from operations by country of origin and country of destination over the periods indicated.

Sales Originated From:	Fiscal Years ended March 31		
	(%)		
	2020	2019	2018
Canada	39	39	51
U.S.	28	29	27
U.K.	14	19	22
Spain	19	13	—
<b>Total:</b>	<b>100</b>	<b>100</b>	<b>100</b>

Sales Destined To:	Fiscal Years ended March 31		
	(%)		
	2020	2019	2018
Canada	9	8	10
U.S.	54	54	62
U.K.	10	11	11
Spain	8	6	—
Rest of Europe	11	12	10
Other countries	8	9	7
<b>Total:</b>	<b>100</b>	<b>100</b>	<b>100</b>

### Sales by Sector

For fiscal 2020, defense related sales from operations represented 53.7% (51.2% for fiscal 2019 and 49.5% for fiscal 2018) of the Corporation's total consolidated sales, compared to commercial related sales of 46.3% (48.8% for fiscal 2019 and 50.5% for fiscal 2018). The full year impact of the acquisition of CESA and Beaver with a predominance of defense related sales led to a higher proportion of sales for the defense sales compared to the commercial related sales.

## 3. GENERAL DEVELOPMENT OF THE BUSINESS OVER THE LAST THREE FISCAL YEARS

The following events and conditions have affected the general development of the business of the Corporation over the last three fiscal years. Each subsection contains information regarding the year to which it refers and does not take into consideration events in future years.

### *Fiscal Year ended March 31, 2018 (Fiscal Year 2018)*

On October 2, 2017, Héroux-Devtek announced an agreement to acquire CESA, a subsidiary of Airbus SE; such acquisition completed in 2018 is more fully described under the heading "*Fiscal Year ended March 31, 2019 (Fiscal Year 2019)*".

On February 27, 2018, the Corporation announced an agreement to acquire Beaver from Phillips Service Industries, Inc.; such acquisition completed in 2018 is more fully described under the heading "*Fiscal Year ended March 31, 2019 (Fiscal Year 2019)*".

On March 15, 2018, Héroux-Devtek announced workforce adjustments of about 60 employees at its Longueuil facility. Due to the non-renewal of services provided to the USAF announced on March 27, 2017, the Corporation has been forced to make changes to its maintenance and repair activities at its Longueuil facility.

### *Fiscal Year ended March 31, 2019 (Fiscal Year 2019)*

On May 16, 2018, the Corporation announced that it has signed a 4-year agreement with AAR. Under the terms of the agreement Héroux-Devtek performs the as needed remanufacturing of landing gear assemblies of the KC-135 aircraft, the manufacturing of spare parts for the C-130 and KC-135 aircraft and the manufacturing of other landing gear components, all in support of a contract AAR was awarded from USAF.

On July 3, 2018, Héroux-Devtek announced that it has completed the acquisition of all the shares of Beaver, from Phillips Service Industries, Inc. for a purchase price of US\$23.5 million (subsequently revised to US\$21.6 million once all adjustments were completed) including a US\$3.5 million balance of sale payable over the next two years. The transaction was funded through the Corporation's available cash on hand. This transaction allows Héroux-Devtek to broaden its existing aerospace and product offering into ball screws and actuation systems and expands its footprint in North America, while being complementary with the Corporation and CESA's businesses. In addition, the Corporation plans to leverage Beaver's relationships with industry-leading OEMs and suppliers in the ball screws and actuation business in order to facilitate its penetration of this market particularly in the U.S. and the Corporation also expects to benefit from cross-selling opportunities and operational efficiencies as a result of this acquisition.

On July 17, 2018, the Corporation announced that it has been selected by Boeing to manufacture the F/A-18 Super Hornet and EA-18G Growler main landing gear and side braces. Héroux-Devtek will manufacture and assemble the main landing gear and side braces for all the Boeing requirements involving new production and spare parts, with first deliveries in third quarter of 2020.

On July 18, 2018, Héroux-Devtek announced that it has been awarded a five-year contract by Lockheed Martin Aeronautics Company to manufacture the landing gear for the C-130J Super Hercules aircraft. Under the terms of the agreement, Héroux-Devtek will manufacture and assemble the landing gear for Lockheed Martin's global production of the C-130J aircraft and will provide spare parts over a five-year period beginning in January 2020.

On October 1<sup>st</sup>, 2018, the Corporation completed the acquisition of CESA for a purchase price of 137 million euros, including CESA's net outstanding debt of 23 million euros (subsequently revised to 130.4 million euros and 23.7 million respectively). This acquisition represents the largest acquisition in the history of Héroux-Devtek. CESA's main product lines include landing gear, actuation and hydraulic systems. This transaction allows the Corporation to increase its presence with Airbus SE, hence giving it better access to one of the largest aircraft manufacturers in the world. This transaction also increases the presence of Héroux-Devtek in Europe, expanding its product and service offering into complementary activities, adding a significant intellectual property rights portfolio, as well as gaining important content on several key aircraft programs and customers.

The acquisition of CESA was funded through a combination of a \$50 million seven-year unsecured subordinated term loan provided by Fonds de solidarité FTQ, a US\$50 million drawdown on the Corporation's revolving credit facility and available cash on hand. Also, the Amended and Restated Credit Agreement was amended and restated on September 24, 2018, in order, among other things, to increase the borrowing limit to \$250 million from \$200 million.

Since this acquisition constitute a "significant acquisition", as such term is defined in securities legislation, the Corporation has filed a Business Acquisition Report on SEDAR ([www.sedar.com](http://www.sedar.com)) on December 14, 2018, in relation with this acquisition.

#### ***Fiscal Year ended March 31, 2020 (Fiscal Year 2020)***

On April 8, 2019, the Corporation announced that it has been awarded a contract by Boeing to supply the complete landing gear system for the MQ-25 unmanned aerial refueling program. This new contract award represents the fourth complete aircraft landing gear program collaboration with the world's largest aerospace company and could represent a significant new long-term opportunity for Héroux-Devtek. The MQ-25 is the U.S. Navy's first operational carrier-based unmanned aircraft and is designed to provide a much-needed refueling capability. The contract supports Boeing's engineering and manufacturing development program to provide four MQ-25 aircraft to the U.S. Navy for Initial Operational Capability by 2024.

On May 21, 2019, the Corporation announced that it has concluded its previously announced agreement to supply the main landing gears for Boeing's F/A-18E/F Super Hornet and EA-18G Growler and has extended the scope of the agreement to include the manufacturing of the nose and main landing gears for Boeing's F-15 program. The extended scope will also include the supply of spare parts and aftermarket services for both defense aircraft programs and covers a period of performance of five years. The original supply agreement, announced on July 17, 2018, provided for the manufacture and assembly of main landing gears and side braces for Boeing's F/A-18E/F Super Hornet and EA-18G Growler, with first deliveries in the third quarter of 2020. This extended "Indefinite Delivery / Indefinite Quantity" scope now also includes the delivery of spare parts and aftermarket services for these landing gears. Additionally, the agreement has been extended to include the manufacture and assembly of the nose and main landing gears for Boeing's F-15 fighter jets, including spare parts and aftermarket services. First deliveries are expected to occur towards the beginning of 2023.

On June 10, 2019, the Corporation announced the acquisition of all the outstanding shares of Montreal-based Alta Precision Inc., a manufacturer of high precision landing gear components. The transaction, which is subject to final purchase price adjustments, is valued at \$23 million and was funded through the Corporation's credit facilities. This acquisition, along with the CESA, Beaver and Tekalia acquisitions announced just a few months earlier, strengthen the Corporation's leadership position around the world.

#### ***Recent Development***

On May 5, 2020, in light of the COVID-19 pandemic, the Corporation announced restructuring initiatives of approximately \$12 million, including the closing of the Montreal facility, formerly known as Alta Précision. The decision was driven by lower production rates in the commercial aerospace market. These initiatives resulted in a 10% reduction of the total Corporation's workforce, or approximately 225 employees.

## **4. DIVIDENDS**

Over the last three fiscal years, the Corporation did not pay dividends on any of its securities. The Corporation does not intend to pay dividends on any of its securities in the foreseeable future.

Subject to the rights of the holders of shares of any other class or particular series ranking in priority to the common shares, the holders of the common shares are entitled to receive all dividends declared by the Corporation. The first preferred shares and the second preferred shares shall rank prior to the common shares and the first preferred shares shall rank prior to the second preferred shares in respect of the payment of dividends.

## 5. DESCRIPTION OF CAPITAL STRUCTURE

### *Authorized Share Capital*

The Corporation's authorized share capital consists of an unlimited number of common shares, 36,367,210 of which were outstanding as at March 31, 2020, and an unlimited number of first preferred shares and second preferred shares (collectively the "**Preferred Shares**"), none of which were outstanding as at March 31, 2020.

### *Preferred Shares*

The Preferred Shares are issuable at any time in one or more series as the Corporation's Board of Directors may determine. The Preferred Shares, when issued, shall have preference over the Common Shares with respect to the payment of dividends and return of capital. The Second Preferred Shares shall rank junior to the First Preferred Shares with respect to the payment of dividends and return of capital. Subject to the provisions of the *Business Corporations Act* (Québec), the holders of Preferred Shares are neither entitled to receive notice of or attend any meeting of shareholders of the Corporation, nor to vote at any such meeting.

### *Common Shares*

Subject to the rights, privileges, restrictions and conditions applicable to the Preferred Shares as a class, the common shares entitle their holders: (i) to vote, on the basis of one vote per common share held, whenever a shareholders' vote is held; (ii) to receive any dividend declared by the Corporation other than dividends declared on the Preferred Shares; and (iii) to share proportionately in the remaining assets of the Corporation in the event of its liquidation or dissolution.

## 6. MARKET FOR SECURITIES

The common shares are listed and posted for trading on the TSX under the symbol “HRX”. The following table indicates the price ranges at the close of the market on the TSX and volume traded on the TSX on a monthly basis for each month of the most recently completed fiscal year:

Period	High	Low	Volume (Common Shares)
<b>2019</b>			
April	16.69	15.15	414,613
May	17.04	14.45	516,738
June	19.61	16.32	571,150
July	20.30	18.82	1,115,707
August	19.97	16.40	759,981
September	17.83	16.52	739,816
October	17.36	16.25	323,902
November	19.75	16.71	630,915
December	19.45	17.57	625,291
<b>2020</b>			
January	21.64	19.20	984,199
February	21.50	16.64	695,875
March	18.50	8.56	1,135,874

### Prior Sales

For additional information with respect to prior sales during the fiscal year 2020 of each class of securities not listed, please refer to the section entitled “**Issued Capital**” in the Management’s Discussion and Analysis of the Corporation for the fiscal year ended on March 31, 2020 on the Corporation’s Web site at [www.herouxdevtek.com](http://www.herouxdevtek.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).

## 7. ESCROWED SHARES AND SHARES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

To the knowledge of the Corporation, there are no securities of the Corporation which are being currently held in escrow.

Under a shareholders’ agreement dated November 13, 2014 between 2945-0228 Québec Inc., a corporation wholly-owned by Gilles Labbé, and Caisse de dépôt et placement du Québec (“**Caisse**”), by which 9356-9283 Québec Inc. (“**9356**”), a corporation wholly-owned by Gilles Labbé, is now bound (the “**Shareholders Agreement**”), if and when 9356 holds 2,600,000 or less common shares of the Corporation, Caisse will enjoy a right of first opportunity to purchase any common shares of the Corporation that 9356 intends to transfer. The Shareholders Agreement also provides that the parties must obtain the prior written consent of the other party to exercise the voting rights attached to their common shares of the Corporation on certain matters relating *inter alia* to: changes in the nature of the operations of the Corporation; amendments to the Corporation’s Articles or by-laws or changes to its capital structure; and, in certain circumstances, the distribution of assets by the Corporation. The Shareholders Agreement may be terminated by written consent of the parties or if any of the party become insolvent, bankrupt or is dissolved, if Caisse’s participation in the Corporation is less than 10% or if 9356’s participation in the Corporation is less than 5%.

On November 13, 2014, Héroux-Devtek and Caisse also entered into an investor rights agreement (the “**Investor Rights Agreement**”), under which Caisse enjoys, among others, a preemptive right, a right to recommend a candidate to be elected to the Board of Directors of the Corporation and a right to obtain certain information subject to an obligation of confidentiality and to applicable securities laws.

### ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

Designation of class	Number of securities held in escrow or that are subject to a contractual restriction on transfer	Percentage of class
Common Shares	2,600,000	7.15%

## 8. DIRECTORS AND EXECUTIVE OFFICERS

The names, provinces and countries of residence of the directors and executive officers of the Corporation as of March 31, 2020, their principal occupations and the year in which each director first became a director are set out below.

### Directors

Each of the directors has served continuously as a director since the date he was first elected or appointed. The present term of each director will expire immediately prior to the election of directors at the next Annual Meeting of Shareholders, which is scheduled to be held on August 7, 2020.

Name	Principal Occupation during the five preceding years	Director Since	Number of Common Shares held as at March 31, 2020
Nathalie Bourque <sup>(1)</sup> Québec, Canada	Corporate Director. Consultant in public relations, government relations and financial communications. Since 2012, member of the board and of the human resources and corporate governance committee of Alimentation Couche-Tard Inc. From 2017 to February, 2020, member of the board and of the audit committee and chair of the human resources and corporate governance committee of Hexo Corporation. From 2005 to 2015, Vice President, Public Affairs and Global Communications at CAE Inc. Prior to 2005, partner at NATIONAL Public Relations.	2015	8,500
Martin Brassard, Québec, Canada	President and Chief Executive Officer, Héroux-Devtek since June 2019. Previously, Mr. Brassard has held several senior management positions at Héroux-Devtek including Vice-President, General Manager, Landing Gear (2005-2014) and Executive Vice-President and Chief Operating Officer (2014-2019).	2019	176,885
Paule Doré <sup>(2)</sup> Québec, Canada	Corporate Director. Over the last 25 years, member of the boards of directors of several Canadian public companies, including Ault Food Ltd, AXA Canada, Covitec, Groupe Laperrière Verrault (GLV) and Cogeco Inc. Mrs. Doré has also chaired the boards of associations and non-profit organizations. From 1990 to 2006, member of the senior management of CGI Inc. as Executive Vice President and Chief Corporate Officer. Currently, Mrs. Doré is a member of the board of directors of CGI Inc., the Institute for Governance of Private and Public Organizations (IGOPP) and Musée Pointe-à-Callières.	2010	17,000 <sup>(3)</sup>
Gilles Labbé Québec, Canada	Since June 2019, Mr. Labbé holds the position of Executive Chairman of the Board and has ceased to act as the President and Chief Executive Officer, a role he held between 1989 and 2019. Since 2010, member of the board of directors of and chair of the audit and risk management committee of CGI Inc.	1985	3,721,947 <sup>(4)</sup>
Louis Morin <sup>(1)</sup> Québec, Canada	Since June 2010, President of Busrel Inc., North-American supplier of promotional items. Up to March 31, 2009, Vice President and Chief Financial Officer of Quebecor Inc.. From December 2003 until January 2006, he was the Chief Financial Officer of Bombardier Recreational Products Inc. From April 1999 until February 2003, Mr. Morin was the Senior Vice President and Chief Financial Officer of Bombardier Inc. where he was working since 1982.	2008	20,000
James J. Morris <sup>(2)</sup> California, U.S.	Corporate Director and consultant. Up to December 31, 2006, Vice President Engineering and Manufacturing for Boeing Commercial Airplanes.	2013	35,000
Brian A. Robbins <sup>(2)</sup> Ontario, Canada	Executive Chairman, Exco Technologies Limited.	2000	50,000 <sup>(5)</sup>
Beverly Wyse <sup>(1)</sup> Washington, U.S.	Corporate Director and consultant. Over 30 years of experience at The Boeing Company, including as President of Shared Services, Vice President and General Manager of Boeing South Carolina and Vice President and General Manager of the 737 and 767 programs. Strategic advisor in Aerospace to Arcadis and member of the board of trustees of Olin College of Engineering.	2019	13,800

(1) Member of the Audit Committee.

(2) Member of the Human Resources and Corporate Governance Committee.

(3) These shares are held by Fiducie Paule Doré, a trust controlled by Mrs. Paule Doré.

(4) 3,587,738 common shares included in this number are held by 9356-9283 Québec Inc. and 63,800 common shares included in this number are held by 2945-0228 Québec Inc. These two companies are controlled by Mr. Gilles Labbé.

(5) 40,000 common shares included in this number are held by 1155924 Ontario Limited, a company wholly-owned by Mr. Brian A. Robbins and family.

## Executive Officers

Executive Officer's Name	Position in the Corporation	Number of Common Shares held as at March 31, 2020
Gilles Labbé	Executive Chairman of the Board	3,721,947 <sup>(1)</sup>
Martin Brassard	President and Chief Executive Officer	176,885
Stéphane Arseneault	Vice-President and Chief Financial Officer	56,257 <sup>(2)</sup>

(1) 3,587,738 common shares included in this number are held by 9356-9283 Québec Inc. and 63,800 common shares included in this number are held by 2945-0228 Québec Inc. These two companies are controlled by Mr. Gilles Labbé.

(2) 1,100 common shares included in this number are held by Marisa Alfieri, the spouse of Mr. Stéphane Arseneault.

As at March 31, 2020, the directors and executive officers of the Corporation, as a group, beneficially own, directly or indirectly, or exercise control or direction over 4,099,389 common shares representing approximately 11.2% of the outstanding common shares of the Corporation.

### Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the Corporation's knowledge, no director or executive officer of the Corporation is, at the date of this annual information form, or has been, within 10 years before the date of the annual information form, a director, chief executive officer or chief financial officer of any company that, while that person was acting in that capacity, (i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days, or (ii) was subject to an event that resulted, after the director, chief executive officer or chief financial officer 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 relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days.

To the Corporation's knowledge, no director or executive officer of the Corporation or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation is, at the date of this annual information form, or has been, within 10 years before the date of the annual information form, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

In addition, to the knowledge of the Corporation, no director or executive officer of the Corporation or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation has, within 10 years before the date of this annual information form, 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 directors, executive officers or shareholders.

Furthermore, to the knowledge of the Corporation, no director or executive officer of the Corporation or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

## 9. INTEREST OF EXPERTS

Ernst & Young LLP are the independent auditors who prepared the Auditors' Report to the shareholders of the Corporation under Canadian generally accepted auditing standards. Ernst & Young LLP has confirmed to the Corporation that it is independent within the meaning of the Rules of Professional Conduct of the *Ordre des comptables professionnels agréés du Québec*. These rules are equivalent or similar to Rules of Professional Conduct applicable to chartered professional accountants in the other provinces of Canada.

## 10. THE AUDIT COMMITTEE

The Board of Directors has reviewed this section and is of the view that the Corporation complies with the requirements prescribed in *National Instrument 52-110 - Audit Committees* (or in Québec, Regulation 52-110) ("**52-110**").

### The Audit Committee's Charter

The Board of Directors of the Corporation has established an audit committee (the "**Audit Committee**"). The mandate of the Audit Committee adopted by the Board of Directors of the Corporation in 1996 and revised yearly is attached as Schedule A to this annual information form.

## **Composition of the Audit Committee**

The Audit Committee is composed of three members being, at the end of the fiscal year ended March 31, 2020, Ms. Nathalie Bourque, Mr. Louis Morin and Ms. Beverly Wyse. Each of the Audit Committee members is independent and financially literate within the meaning of 52-110, which means that each of them (i) has no direct or indirect material relationship with the Corporation, other than being one of its directors and (ii) has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

## **Relevant Education and Experience**

Each member of the Audit Committee has developed considerable experience and expertise related to financial and accounting matters which are relevant to the performance of their respective responsibilities as an Audit Committee member. More particularly, each of them has developed and acquired (i) an understanding of the accounting principles used by the Corporation to prepare its financial statements; (ii) the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves; (iii) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation's financial statements, or experience actively supervising one or more persons engaged in such activities; and (iv) an understanding of internal controls and procedures for financial reporting.

The following is a description of the education and experience of each Audit Committee member that is relevant to the performance of their responsibilities as Audit Committee members:

### ***Nathalie Bourque***

Ms. Bourque is a director of the Corporation and a member of the Audit Committee since 2015. She currently is a member of the Board and of the Human Resources and Corporate Governance committee of Alimentation Couche-Tard Inc. From 2017 to February 2020, she was a member of the Board, of the Audit committee and Chair of the Human Resources and Corporate Governance committee of Hexo Corporation. From 2005 to 2015, she was Vice-President, Public Affairs and Global Communications at CAE Inc. Prior to 2005; she was a partner at NATIONAL Public Relations.

### ***Louis Morin***

Mr. Morin is a director of the Corporation and was appointed as a member of the Audit Committee in March 2008. His principal occupation is President of Busrel Inc., a North-American supplier of promotional items, since June 2010. Up to March 31, 2009, he was Vice-President and Chief Financial Officer of Québecor Inc. since January 15, 2007. From December 2003 until January 2006, he was the Chief Financial Officer of Bombardier Recreational Products Inc. From April 1999 until February 2003, Mr. Morin was the Senior Vice-President and Chief Financial Officer of Bombardier Inc. where he was working since 1982.

Mr. Morin holds a Bachelor's and a Master's degree in business administration from l'École des Hautes Études Commerciales (HEC) and is a Chartered Professional Accountant (CPA).

### ***Beverly Wyse***

Ms. Wyse is a director of the Corporation and a member of the Audit Committee since February 2019. She currently is a Senior Strategic Advisor for ARCADIS N.V, a leading global Design & Consultancy firm for natural and built assets. From 1985 to 2018, Ms. Wyse worked for The Boeing Company where she has held several managing positions. Recently, she acted as President of Shared Services, a multi-billion dollar operating group of Boeing. Previously, she acted as Vice President and General Manager of Boeing South Carolina and Vice President and General Manager of the 737 and 767 programs. Ms. Wyse is a member of the Board of Trustees and the Finance and Investment Committee of the Franklin W. Olin College of Engineering.

Ms. Wyse holds an MBA and a B.Sc. in Mechanical Engineering from the University of Washington.

## **Pre-Approved Policies**

The Board of Directors of the Corporation and the Audit Committee have adopted certain policies with respect to services rendered by external auditors.

Specific services may be rendered by the external auditors of the Corporation which are not incompatible, as to their nature, with the maintenance of their professional independence. Certain of these services reflect the statutory role of the external auditors and are grouped under "Audit Services" below. Other services under "Audit Related" and "Taxation Services" below can be rendered by the external auditors as well as other service providers, at Corporation management's discretion. Certain types of services listed under "Prohibited Services" below generally cannot, except in limited cases, be provided by external auditors without impairing their professional independence.

### **Audit Services**

- Audit of the Corporation's annual consolidated financial statements.
- Audit of the annual financial statements of certain related entities or groups.
- Review of the Corporation's annual information form, management's discussion and analysis, management proxy circular and other annual filing documents.
- Read of quarterly consolidated financial statements of the Corporation.
- Review of the Corporation's prospectuses or other financing documents and issuance of appropriate consent, comfort or other required letters to interested parties.
- Accounting research and consultations on the application of International Financial Reporting Standards (IFRS).

### **Audit Related Services**

- Audit of the annual financial statements of the employee benefit plans.
- Special reports to third parties required to comply with various contractual or other obligations of the Corporation or any of its subsidiaries or affiliates.
- Special audits on control procedures.
- Information systems reviews not performed in conjunction with the Audit.
- Due diligence services to assist management in the context of business investment or divestiture decisions.
- Advisory services in preparation for compliance under National Instrument 52-109 - *Certification of Disclosure in Issuers' Annual and Interim Filings* (or in Québec, Regulation 52-109).

### **Taxation Services**

- Preparation and/or review of income or other tax returns of the Corporation's domestic or foreign business units.
- Consultations with respect to income tax compliance or planning with domestic or foreign jurisdictions, including federal, provincial, state and capital taxes; international tax financing, structuring and repatriation strategies; loss utilization strategies; advice with respect to research and development expenditures.
- Consultations with respect to transfer pricing risk and assessment.
- Executive compensation plans including pensions, stock options, and deferred compensation plans.
- Expatriate tax compliance and planning, including tax return preparation services with respect thereto.
- Foreign office tax advice regarding international tax projects and co-ordination thereof.
- Discussions regarding new tax developments and responses to tax queries as they arise.
- Support regarding tax authority audits.
- Commodity tax advice.

### **Other Services**

Translation of financial information, including financial statements, management, discussion and analysis, press release, annual and quarterly reports.

### **Other Services not Specifically Prohibited**

While the possibility of other services being rendered by the Corporation's external auditors is not in and of itself excluded, such services will be rendered only on the specific approval of the Audit Committee or one of its designated members.

### **Prohibited Services**

Certain services are considered to be incompatible with the objective of preserving the independence of external auditors and therefore are prohibited. Such services, with some exceptions, include the following:

- Bookkeeping or other services related to the accounting records or financial statements of the Corporation.
- Expert services, litigation support unrelated to the audit.
- Financial information systems design and implementation.
- Appraisal or valuation services, fairness opinions or contribution-in-kind reports.
- Actuarial services.
- Internal audit outsourcing services.
- Management functions.
- Human resources services.
- Broker-dealer, investment adviser or investment banking services.
- Legal Services and any other advocacy services.
- Preparation of journal entries and source documents.
- IT Services.
- Corporate finance and similar activities.

## External Auditors Service Fees

The following are the aggregate fees billed by the Corporation's external auditors in each of the last two fiscal years by category of services provided to the Corporation by said auditors.

	Fiscal Year ended March 31	
	2020	2019
Audit Fees <sup>(1)</sup>	\$634,779	\$860,100
Audit-Related Fees <sup>(2)</sup>	\$72,308	\$86,757
Income Tax Fees <sup>(3)</sup>	\$242,078	\$30,555
Other Fees <sup>(4)</sup>	\$—	\$47,991
<b>Total</b>	<b>\$949,165</b>	<b>\$1,025,403</b>

(1) Audit fees were billed for professional services rendered for the audit and translation of the Corporation's consolidated financial statements and quarterly reviews or reads of the Corporation's quarterly consolidated financial statements.

(2) Audit-related fees that are not reported under the audit line above which were billed for assurance and related services that are reasonably related to the audit or review of the annual and interim consolidated financial statements, but not reported as audit fees, including translation services.

(3) Income tax fees were billed for tax consulting and compliance services, the review of income tax returns and the review of executive compensation and expatriate tax returns.

(4) Other fees are billed for services other than those reported as Income Tax, Audit, or Audit-Related Fees.

## 11. LEGAL PROCEEDINGS

Management of the Corporation is not aware of any legal proceeding or litigation outstanding, threatened or pending as of the date hereof by or against the Corporation or relating to its business which would be material to an existing or potential holder of common shares.

## 12. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the knowledge of the Corporation, there has not been any material interest, direct or indirect, of any director or executive officer of the Corporation, or a person or company that is the direct or indirect beneficial owner of, or who exercises control or direction over, more than 10 percent of any class or series of the outstanding voting securities of the Corporation, or any associate or affiliate thereof, within the three most recently completed financial years, that has materially affected the Corporation or is reasonably expected to materially affect the Corporation.

## 13. TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the common shares of the Corporation is Computershare Trust Company of Canada at its place of business in the city of Montréal, Québec.

## 14. MATERIAL CONTRACTS

The Corporation has no material contracts other than the Amended and Restated Credit Agreement described in Section 3 above under the heading "Fiscal Year ended March 31, 2019 (Fiscal Year 2019)" and the Investor Rights Agreement described in section 7 above.

## 15. ADDITIONAL INFORMATION

Additional information including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and, options to purchase securities where applicable, is contained in the Corporation's most recent Information Circular prepared in connection with the Annual Meeting of Shareholders of the Corporation. Additional information is provided in the Corporation's comparative consolidated financial statements and management, discussion and analysis for its most recently completed fiscal year.

The Corporation shall provide to any person or company, upon request to the Corporation's Corporate Secretary, at Héroux-Devtek Inc., Suite 600, West Tower, 1111 Saint-Charles Street West, Longueuil, Québec, J4K 5G4, a copy of:

- i. this annual information form together with any document incorporated by reference therein;
- ii. the comparative consolidated financial statements of the Corporation for its most recently completed fiscal year, together with the accompanying report of the auditors thereon, and any interim condensed consolidated financial statements of the Corporation that has been filed subsequent to the consolidated financial statements for its most recently completed fiscal year; and

- iii. the Corporation's Management Proxy Circular with respect to the Corporation's most recent shareholders' meeting that involved the election of directors;

provided that the Corporation may require the payment of a reasonable charge if the request is made by a person or a company who or which is not a security holder of the Corporation.

Additional information relating to the Corporation may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

## SCHEDULE A - MANDATE OF THE AUDIT COMMITTEE

### 1. Mission

- 1.1 The Audit Committee assists the Board of Directors in its general management responsibilities of the Corporation by:
- a) selecting and recommending the external auditors and reviewing their independence and effectiveness;
  - b) reviewing:
    - (i) the financial statements;
    - (ii) the processes for presenting financial information;
    - (iii) the internal controls;
    - (iv) the audit processes;
    - (v) the management information systems; and
    - (vi) the financial risk management processes and control methods for managing such risks;for the purpose of determining the integrity and effectiveness thereof; and
  - c) serving as intermediary between the Board of Directors and the independent oversight functions (internal and external auditing).
- 1.2 The Corporation's external auditors are responsible for reporting to the Board of Directors and to the Audit Committee acting as the shareholders' representatives, and these shareholders' representatives have the ultimate power and responsibility of choosing, evaluating and, where necessary, recommending the replacement of the external auditors.
- 1.3 The Committee fulfills its responsibilities to the Board by carrying out the duties set forth in section 10 of this Mandate.
- 1.4 Although the Audit Committee has the powers and responsibilities set forth in this Mandate, the role of the Audit Committee is oversight. The members of the Audit Committee are not full-time employees of the Corporation and may or may not be accountants or auditors by profession and, in any event, do not serve in such capacity on the Audit Committee. Consequently, it is not the duty of the Audit Committee to conduct audits or to determine that the Corporation's financial statements and disclosures are complete and accurate and are in accordance with the International Financial Reporting Standards ("IFRS") and applicable rules and regulations. These are the responsibilities of management and the external auditors.

### 2. Composition

- 2.1 The Committee is comprised of at least three (3) members appointed annually by the Board of Directors from among the Corporation's Directors.
- 2.2 Every Committee member shall be independent within the meaning of *Regulation 52-110 respecting Audit Committees* ("Regulation 52-110").
- 2.3 No officer or employee of the Corporation or of a subsidiary of the Corporation shall be a member of the Committee.
- 2.4 Every Committee member shall be financially literate within the meaning of Regulation 52-110, i.e. shall have the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.
- At least one Committee member shall have "related accounting or financial expertise" acquired either through previous work experience in finance or accounting, through the required professional certification in accounting, or through any other comparable experience or training giving him financial sophistication, such as being or having been a chief executive officer or chief financial officer of a company, or having held another position with a company as a senior executive with financial oversight responsibilities. This member shall have the ability to analyze and interpret a complete set of financial statements, including the accompanying notes, in accordance with IFRS.

### 3. Chairperson

- 3.1 The chair of the Committee is appointed by the Board of Directors. Where the chair is absent or unable to attend a meeting, the meeting shall be chaired by a member chosen by the Committee.
- 3.2 Subject to a contrary decision by the Board of Directors, members who have sat on the Committee for two years are eligible for appointment as Committee chairperson.
- 3.3 Subject to a contrary decision by the Board of Directors, the mandate of the Committee chairperson granted to a Committee member shall not exceed five years.

- 3.4 The Committee chairperson may make suggestions to the Chairman of the Board concerning the content of the agendas of certain meetings of the Board of Directors, where he considers it appropriate or necessary to do so.
- 4. Secretary**
- The Committee chairperson appoints a person who does not need to be a member of the Committee, to act as Committee secretary.
- 5. Holding and calling of meetings**
- 5.1 The Audit Committee meets at least once per quarter and the Committee's meetings are held on the dates and at the time and place fixed by the Board of Directors. The Committee members shall be notified annually in writing of the dates, times and places of the Committee meetings, without any other notice being required.
- 5.2 An off-schedule meeting may be called at any time by the Committee chairperson, the Chairman of the Board, the President and Chief Executive Officer, one of the members of the Committee, the Chief Financial Officer, the Secretary or an assistant secretary of the Corporation, and by the external auditors and auditors in charge of the internal audit function.
- A notice stipulating the purpose, place, date and time of every off-schedule meeting shall be sent to each of the Committee members by mail or by any other means of telephone or electronic communication at least twenty-four (24) hours before the scheduled time and date of the meeting.
- Off-schedule meetings of the Committee may be held without notice when all Committee members are present or when absent members give written waiver of notice of such meeting.
- 5.3 The Committee meetings may be held by telephone or by any other means enabling all members to communicate adequately and simultaneously with each other. In such case, the persons participating in a meeting by telephone or by any other means of communication are deemed to be present at the meeting.
- 5.4 The external auditors are entitled to receive the notices of the Committee's meetings and to be heard at such meetings.
- 5.5 The Committee may call a meeting of the Board of Directors to study issues of interest to the Committee.
- 5.6 The Committee members shall meet in closed sessions, at least once a year, under the direction of the Committee chairperson.
- 6. Quorum**
- 6.1 Quorum for the Committee shall be a majority of the Committee members.
- 6.2 There shall be a quorum at every meeting in order for the Committee members to validly conduct proceedings and make decisions.
- 6.3 Subject to sections 6.1 and 6.2 above, the subjects submitted for consideration to every Committee meeting requiring a decision shall be approved by a majority of votes of the members present.
- 7. Minutes**
- 7.1 The secretary shall keep the minutes of every Committee meeting, duly approved by it, in a register especially for this purpose.
- 7.2 The minutes of every Committee meeting, duly approved by it, shall be attached to the agenda of a subsequent meeting of the Board of Directors for its information. The Committee chairperson shall make a verbal report of the proceedings of every Committee meeting at a subsequent meeting of the Board of Directors.
- 8. Vacancy**
- Vacancies on the Committee shall be filled by the Board of Directors, where it considers appropriate. A failure to fill a vacancy shall not invalidate the Committee's decisions provided that there is a quorum.
- 9. Hiring of external advisors**
- The Audit Committee has the authority to retain the services of expert advisors at the Corporation's expense. In case of an emergency, this responsibility is vested in the Committee chairperson. The Committee may request any officer or employee of the Corporation, its outside legal counsel or its internal or external auditors to attend an Audit Committee meeting or meet any of its members or advisors.
- The Audit Committee shall notify the Board of Directors on the extent of the financing required to pay for the compensation of the independent expert advisors retained to advise the Committee.

## 10. Duties and responsibilities

The Committee's duties are as follows:

### 10.1 Internal control

- 10.1.1 review the mandate of the internal audit function on an annual basis and ensure that it has the resources necessary to fulfill its mandate and the responsibilities set for it;
- 10.1.2 if the internal audit function has been outsourced in whole or in part to an external consulting firm, make recommendations to the Corporation's Board of Directors on the appointment of such consultants and their compensation;
- 10.1.3 require management to set up and maintain appropriate internal control policies and mechanisms, and review, evaluate and approve such policies and mechanisms;
- 10.1.4 evaluate the effectiveness of the Corporation's internal control policies and mechanisms with the Chief Financial Officer, or any other officer or employee of the Corporation exercising responsibility for the internal audit function;
- 10.1.5 review the report(s) of the internal audit group on a quarterly or annual basis and ensure that the necessary measures are taken to follow up on the suggestions arising from such report(s);
- 10.1.6 review the recommendations of the Corporation's management and recommend to the Board of Directors the appointment or removal of an officer responsible for the internal audit function of the Corporation;
- 10.1.7 review and approve the annual internal audit plan and ensure the independence and effectiveness of this function;
- 10.1.8 require that the internal audit function be free of any influence which could interfere with its ability to carry out its responsibilities in an objective manner and, to this end, obtain disclosure from management of the services other than internal auditing provided to the Corporation by the consultants to whom this function has been outsourced;
- 10.1.9 evaluate the overall performance of the external consultants to whom the internal audit function has been outsourced, whether in whole or in part, including the other services rendered by these consultants, and analyze the effect of such services on their independence;
- 10.1.10 ensure that there is effective cooperation between internal auditing and the external auditors of the Corporation;
- 10.1.11 meet, in the absence of management, with the Corporation's officer in charge of the internal audit function, or the external consultant to whom this function has been outsourced;
- 10.1.12 review any management representation letters on the internal financial systems and controls addressed to the external auditors;
- 10.1.13 review and comment to the Board of Directors on all related-party transactions;
- 10.1.14 review any change in the Corporation's code of ethics;
- 10.1.15 review the recommendations made by the regulatory bodies or external or internal auditors and report to the Board of Directors;
- 10.1.16 establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters and for the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters; and
- 10.1.17 review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the Corporation's, current or former, external auditors that meet the CICA Rules of Professional Conduct.

### 10.2 External auditors

- 10.2.1 submit recommendations to the Corporation's Board of Directors for the appointment and compensation of the external auditors;
- 10.2.2 review and discuss the external auditors' detailed report on all the factors influencing their independence and objectivity; make recommendations for measures to be taken by the Board of Directors to ensure the independence of the external auditors;
- 10.2.3 pre-approve all non-audit services to be provided to the Corporation or its subsidiaries by the auditors and, ensure that the external auditors shall not provide the following services to the Corporation:

## Prohibited Non-Audit Services

- Bookkeeping or other services related to the accounting records or financial statements of the Corporation.
- Expert services, litigation support unrelated to the audit.
- Financial information systems design and implementation.
- Appraisal or valuation services, fairness opinions or contribution-in-kind reports.
- Actuarial services.
- Internal audit outsourcing services.
- Management functions.
- Human resources services.
- Broker-dealer, investment adviser or investment banking services.
- Legal Services and any other advocacy services.
- Preparation of journal entries and source documents.
- IT Services.
- Corporate finance and similar activities.

- 10.2.4 review the nature and scope of the work of the Corporation's external auditors;
- 10.2.5 meet with the external auditors and management to discuss the annual financial statements or transactions which may be detrimental to the sound financial situation of the Corporation;
- 10.2.6 discuss with the external auditors not only the acceptability but also the quality of the accounting principles followed by the Corporation in its financial reports;
- 10.2.7 review the Corporation's guidelines for awarding professional services contracts to the external auditors outlining the criteria and levels of authorization required for types of services other than auditing which the external auditors are authorized to offer the Corporation;
- 10.2.8 review the annual letter of recommendation on internal control by the Corporation's external auditors and follow up on the measures subsequently taken by management;
- 10.2.9 meet the Corporation's external auditors on a regular basis, in the absence of the management;
- 10.2.10 oversee the work of the external auditors, including the auditing services and non-auditing services, and analyze the effect of these services on the auditors' independence and including the resolution of disagreements between management and the external auditors regarding financial reporting;
- 10.2.11 Carry out an annual assessment and a complete and thorough assessment of the external auditors at least every five years;
- 10.2.12 determine that the external auditors audit firm has a process in place to address the rotation of the lead audit partner and other audit partners serving the account as required under the CICA independence rules; and
- 10.2.13 determine that the external auditors are a Public Accounting Firm that has entered into a Participation Agreement as such terms are defined in *Regulation 52-108 respecting Auditor Oversight* and that at the time of their report on the annual financial statements of the Corporation, they are in compliance with any restrictions or sanctions imposed by the Canadian Public Accountability Board.

### 10.3 Financial information

- 10.3.1 review the Corporation's quarterly and annual consolidated financial statements after the review (or read) or audit thereof by the external auditors, and recommend their approval to the Corporation's Board of Directors; review the unaudited (or internally prepared by management) financial statements of certain subsidiaries as appropriate;
- 10.3.2 obtain an annual report from management, which may be in either oral or written form, on the accounting principles used in the preparation of the Corporation's financial statements, including those policies for which management is required to exercise discretion or judgment regarding the implementation thereof;
- 10.3.3 annually review separately with each of management, the external auditors and the internal audit group (a) any significant disagreement between management and the external auditors or the internal audit group in connection with the preparation of the financial statements, (b) any difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information and (c) management's response to each;
- 10.3.4 annually or periodically, as appropriate, review any significant changes to the Corporation's accounting principles and financial disclosure practices as suggested by the external auditors, management or the internal audit group; review with the external auditors, management and the internal audit group, at appropriate intervals, the extent to which any changes or improvements in accounting or financial practices, as approved by the Audit Committee, have been implemented;
- 10.3.5 review all the investments and transactions which may be detrimental to the Corporation's sound financial situation, when they are brought to its attention by the external auditors or an officer;
- 10.3.6 review and recommend the approval to the Board of Directors of the informational documents containing financial information, whether audited or unaudited, in particular, management's analysis of the financial situation and operating results, the annual information form and the press releases concerning the publication of the Corporation's quarterly and annual consolidated financial statements;
- 10.3.7 ensure that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements and periodically assess the adequacy of those procedures;
- 10.3.8 review and discuss with management all material off-balance sheet transactions, arrangements, obligations (including contingent obligations), commitments and other relationships of the Corporation or any of its subsidiaries with unconsolidated entities or other persons, that may have a material current or future effect on the financial condition, changes in the financial condition, results of operations, liquidity, capital resources or significant components of revenues or expenses;
- 10.3.9 enquire with management concerning any significant changes adopted by bodies such as the stock exchanges or securities commissions, as well as changes to accounting standards that may have an effect on the preparation or disclosure of the financial statements of the Corporation or its subsidiaries, and inform the Board of Directors thereof where appropriate; and
- 10.3.10 review the report of management on any dispute, notice of assessment or any other claim of a similar nature which may have a material effect on the Corporation's financial situation, and ensure that these material claims are correctly disclosed in the financial statements.

### 10.4 Miscellaneous

Exercise any other functions entrusted to it by the Board of Directors and make such recommendations to it as it considers appropriate on the subjects within its competence.