

Saputo

Annual Information Form

June 5, 2012

Saputo

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CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This Annual Information Form contains forward-looking statements within the meaning of securities laws. These statements are based, among other things, on Saputo's assumptions, expectations, estimates, objectives, plans and intentions as of the date hereof regarding projected revenues and expenses, the economic, industry, competitive and regulatory environments in which the Company operates or which could affect its activities, its ability to attract and retain customers and consumers, as well as the availability and cost of milk and other raw materials and energy supplies, its operating costs and the pricing of its finished products on the various markets in which it carries on business.

These forward-looking statements include, among others, statements with respect to the Company's short and medium term objectives, outlook, business projects and strategies to achieve those objectives, as well as statements with respect to the Company's beliefs, plans, objectives and expectations. The words "may", "should", "will", "would", "believe", "plan", "expect", "intend", "anticipate", "estimate", "foresee", "objective", "continue", "propose" or "target", or the negative of these terms or variations of them, the use of conditional tense or words and expressions of similar nature, are intended to identify forward-looking statements.

By their nature, forward-looking statements are subject to a number of inherent risks and uncertainties. Actual results could differ materially from the conclusion, forecast or projection stated in such forward-looking statements. As a result, the Company cannot guarantee that any forward-looking statements will materialize. Assumptions, expectations and estimates made in the preparation of forward-looking statements and risks that could cause actual results to differ materially from current expectations are discussed in the Company's materials filed with the Canadian securities regulatory authorities from time to time, including the "Risks and Uncertainties" section of the Management's Discussion and Analysis included in the Company's 2012 Annual Report.

Forward-looking statements are based on Management's current estimates, expectations and assumptions, which Management believes are reasonable as of the date hereof, and, accordingly, are subject to changes after such date. You should not place undue importance on forward-looking statements and should not rely upon this information as of any other date.

Except as required under applicable securities legislation, Saputo does not undertake to update or revise these forward-looking statements, whether written or verbal, that may be made from time to time by it or on its behalf, whether as a result of new information, future events or otherwise.

ITEM 1 - THE COMPANY

1.1 INCORPORATION

Saputo Inc. was constituted by a Certificate of Amalgamation issued pursuant to the provisions of the *Canada Business Corporations Act* on July 1, 1992, which was amended on August 25, 1997 in order to, among other things, change the provisions attached to its authorized share capital. On August 3, 2000, the Certificate was further amended to, among other things, enable the directors to appoint additional directors between shareholders' meetings. The head office and principal

place of business of the Company is located at 6869 Métropolitain Boulevard East, Saint-Léonard, Québec, H1P 1X8.

In this Annual Information Form, unless the context otherwise requires or indicates, the terms “**Saputo**” and “**Company**” mean Saputo Inc. itself or together with its subsidiaries and/or other entities under its direct or indirect control (collectively the “**Subsidiaries**”), or any one or more of them.

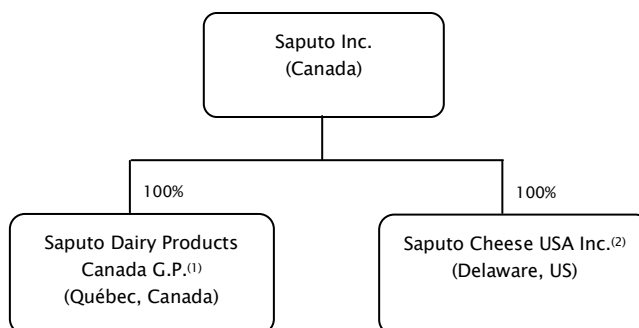
On November 23, 2001 and December 10, 2007, Saputo declared a 100% stock dividend on its Common Shares, which, respectively, had the same effect as a two-for-one stock split (the “**Stock Splits**”) and doubled the number of Common Shares outstanding. All references to numbers of Common Shares and prices of Common Shares made herein have been adjusted to reflect the Stock Splits.

In this Annual Information Form, all references to “\$” or “CDN\$” are to Canadian currency and all references to “US\$” are to United States (“**US**”) currency.

In this Annual Information Form, the information is being presented as of May 25, 2012, except for financial information and percentages derived therefrom, which are given for the fiscal year ended March 31, 2012, and for the information relating to employees, which is presented as of March 31, 2012.

1.2 CORPORATE STRUCTURE

The following organizational chart illustrates the corporate structure of Saputo and its significant Subsidiaries, and their respective jurisdictions of incorporation. For simplification purposes, this chart omits certain wholly-owned Subsidiaries.



- (1) Production, sale and distribution of dairy products, namely a wide range of cheese, fluid milk, cream products, yogurt, sour cream, cottage cheese, soft serve dairy mixes, as well as juices and other beverages, and other food products in Canada.
- (2) Production and sale of dairy products, mainly cheese, in the US.

ITEM 2 – GENERAL DEVELOPMENT OF THE BUSINESS

2.1 OVERVIEW

Saputo is the twelfth largest dairy processor in the world, the largest dairy processor in Canada, among the top three cheese producers in the US, the third largest dairy processor in Argentina and the largest snack-cake manufacturer in Canada. The Company's total consolidated sales are generated as follows: 53.1% from Canada, 39.6% from the US, 0.9% from Europe and 6.4% from Argentina.

The Company operates its business through its Dairy Products Sector and its Grocery Products Sector, which represent respectively 98.1% and 1.9% of the Company's total sales.

The Company operates in Canada, Europe, Argentina and the United States through 47 manufacturing facilities and employs approximately 10,100 employees. Its products are sold in more than 50 countries.

2.2 HISTORY (INCLUDING ACQUISITIONS)

Unless otherwise specified in this section, the acquisitions completed by Saputo, which are listed below, were completed on a debt-free basis.

Mr. Emanuele (Lino) Saputo, Chairman of the Board of Saputo, founded the Company with his parents in 1954, producing quality cheese for the Italian community of Montréal.

Between 1970 and 1997, Saputo acquired several production operations and food distributors, and developed its national distribution network, positioning itself in Canada as a leading producer of mozzarella. In 1988, the Company entered the US market by acquiring two cheese manufacturing plants. On July 31, 1997, Saputo acquired Cr merie des Trois-Rivi res, Limit e, thereby entering the fluid milk market.

On October 15, 1997, the Company completed its initial public offering of 37,882,000 Common Shares at \$4.25 per share. In December of the same year, Saputo issued 36,000,000 special warrants at \$6.25 per warrant in order to finance, in part, the acquisition of Stella Holdings Inc. and its then owned subsidiaries, a US manufacturer of mozzarella and specialty cheeses.

The following table presents acquisitions completed by Saputo since its initial public offering. These acquisitions, which were in line with the Company's commitment to growth, contributed to making Saputo not only an important dairy processor in Canada, but also internationally.

Historical Acquisitions Completed by Saputo

Acquisition Dates	Acquired Companies	Acquired Activities	Countries of Operations	Acquisition Price (Approximation)	Annual Target Sales (Approximation)
October 15, 1997 to March 31, 2006	Various companies (7)	Manufacturing, selling and distribution of dairy products (cheese, fluid milk and other) and snack-cakes	Canada	\$776 million	\$1.9 billion
October 15, 1997 to March 31, 2006	Various companies (5)	Manufacturing and selling of cheese	US	\$704 million	\$1.4 billion
October 15, 1997 to March 31, 2006	Molfino Hermanos S.A.	Manufacturing and selling of cheese	Argentina	\$60 million	\$117 million
April 13, 2006	Spezialitäten-Käserei De Lucia GmbH	Manufacturing and selling of Italian-style cheeses	Germany	\$7 million	\$28 million
July 28, 2006	Boulangerie Rondeau Inc. and Biscuits Rondeau Inc.	Manufacturing, selling and distribution of fresh tarts and fresh cookies	Canada	\$13 million	\$14 million
March 23, 2007	Dansco Dairy Products Limited	Manufacturing and selling of mostly mozzarella	United Kingdom	\$12 million	\$80 million
April 2, 2007	Activities related to Land O'Lakes West Coast industrial cheese business	Manufacturing and selling of mostly mozzarella and provolone, as well as whey products	US	\$254 million	\$481 million
April 1, 2008	Alto Dairy Cooperative	Manufacturing and selling of Italian- and American-style cheese, as well as whey products	US	\$161 million	\$389 million

Historical Acquisitions Completed by Saputo					
Acquisition Dates	Acquired Companies	Acquired Activities	Countries of Operations	Acquisition Price (Approximation)	Annual Target Sales (Approximation)
December 1, 2008	Activities of Neilson Dairy	Manufacturing, selling and distribution of fluid milk, dairy beverages, cream products and non-dairy creamers, juices and drinks, primarily in Ontario.	Canada	\$469 million	\$600 million
July 20, 2009	Activities of F&A Dairy of California, Inc.	Manufacturing and selling of mostly mozzarella, provolone and whey products.	US	\$50 million	\$90 million
March 25, 2011	DCI Cheese Company, Inc.	Converting, marketing and selling of mostly specialty cheeses.	US	\$276 million	\$460 million

ITEM 3 - INDUSTRY OVERVIEW

3.1 DAIRY PRODUCTS INDUSTRY

3.1.1 THE CANADIAN DAIRY INDUSTRY

Regulatory Environment

In Canada, the dairy industry operates within a highly regulated environment at the federal and provincial levels, either through shared responsibility or exclusive jurisdiction.

As a food processor and distributor, Saputo is subject to federal and provincial regulations pertaining to the content, composition, labelling, packaging, marketing and distribution of food products. Moreover, as a dairy processor and distributor, Saputo must comply with a series of federal and provincial regulations that govern the production, processing and distribution of milk and milk-related products. As such, it is subject to plant inspections, product testing, compliance with product standards of composition and other regulatory scrutiny, both at the federal and provincial levels.

Standards of composition for cheese manufactured in and imported to Canada, as introduced by the federal government in December 2007, became effective on December 14, 2008. Saputo complies with these standards of composition for cheese, notwithstanding that they are more stringent than the standards adopted within the international dairy industry, such as under the *Codex Alimentarius* of the Food and Agricultural Organization and World Health Organization.

Milk Supply

The Canadian Dairy Commission (“CDC”), a crown corporation, has been mandated by the federal government to implement and coordinate Canada’s national dairy policy, which is predicated on shared jurisdictional powers between the federal and provincial governments. Fluid milk is regulated provincially, whereas industrial milk is regulated federally. “Fluid milk” refers to table milk or cream intended for consumption in fluid forms, whereas “industrial milk” is used for the manufacturing of all other dairy products, such as cheese, butter, ice cream and yogurt. According to CDC information published in respect of the dairy year ended July 31, 2011, the fluid milk sector represented approximately 39% of raw milk delivered in Canada, while the industrial milk sector represented approximately 61% of such deliveries.

The following table indicates the production volumes of selected dairy products manufactured in Canada in 2011:

Canadian Production Volumes of Selected Dairy Products in 2011 ⁽¹⁾ (in thousands)	
Natural cheese	381,918 Kg
Fluid milk and cream	3,016,546 Litres
Cottage cheese	25,667 Kg
Ice cream and other frozen products	299,204 Litres
Other dairy products	550,396 Kg

⁽¹⁾ Source: Statistics Canada – Dairy Statistics, February 2012

The Canadian dairy industry operates under a national milk supply management system, which, under devolved government authorities, regulates imports, exports and domestic production of milk for the manufacturing of all dairy products. It also ensures that dairy product production is sufficient to meet consumer demands and provides a fair return for milk producers. The administration of the supply management system is predicated on meeting the market demand by the establishment of a Market Sharing Quota (“MSQ”). The MSQ is determined based on the calculation structure established under the National Milk Marketing Plan, which is a federal/provincial agreement. The Canadian Milk Supply Management Committee sets the MSQ every dairy year (which runs from August 1 to July 31) and then adjusts it bi-monthly to reflect market conditions. The MSQ is allocated to each province based on provisions of the National Milk Marketing Plan, as amended from time to time. The provinces then allocate their share of the MSQ to their respective milk producers according to their own policies.

Québec and Ontario’s share of the national MSQ is 44.0% and 32.1%, respectively, compared to 19.6% for the Western provinces and 4.3% for the Maritimes. The marketing boards within each province govern the production, pricing and marketing of milk within their own borders. The determination of the MSQ is based on a formula that enables automatic adjustments every two months in order to reflect increasing or decreasing Canadian requirements. Since 2008, the

management of production quota at the farm level is done on a continuous 12-month rolling basis.

Industrial milk is allocated to processors based on provincial allocation rules. Priority of supply is given to the higher milk classes, which command a higher price. Although there may be some provincial variations, quantities of milk available for processing in each class, other than fluid milk, are generally restricted in their growth. Notwithstanding the ongoing review of milk allocation policies by the various milk boards, Management believes that the risk of a processor losing a significant part of its currently available industrial milk volume remains low.

Canadian Market

The dairy processing industry continues to make a major contribution to the Canadian economy with shipments valued at \$13.7 billion in 2010. The dairy processing sector accounted for approximately 15% of the estimated value of all food and beverage processing sales during the same year.

Approximately 81% of Canada's dairy farms are located in the provinces of Québec and Ontario. The Western provinces and the Maritime provinces account for approximately 13% and 6%, respectively.

International Trade (Canada)

Imports. The Department of Foreign Affairs and International Trade administers Canada's cheese import quotas. These quotas are divided into European Union (the "EU") and non-EU sources. This results from Canada's obligation to the EU to import from it 66% of the approximate 20.4 million kilograms (kg) of cheese that Canada is committed to import annually under the World Trade Organization ("WTO") Agreement on Agriculture. Imports within this access commitment of 20.4 million kilograms of cheese are subject to low tariff rates, while imports over this commitment are subject to significantly higher tariff rates. Over-access tariffs for cheese currently stand at 245.5% of invoiced value. In January 2010, the Canadian Government converted its existing agricultural quantitative import control for milk proteins to a system of tariff rate quotas ("TRQ") compliant with GATT/WTO Article 28. This resulted from Canada's desire to restrict previously tariff free or very low tariff import of milk proteins with a milk protein content of 85% or more by weight from other nations. Negotiations were held with the exporting countries to establish the levels of tariff quota volumes that would be allowed annually, as well as a modest growth allowance. Imports within the newly defined access commitment of 10 million kilograms of milk protein isolate are subject to low tariff rates, while imports over this commitment are subject to significantly higher tariff rates. Over access tariff rates for such milk proteins currently stand at 270% of invoiced value. Since New Zealand and the EU are the largest exporters of milk proteins to Canada, they were granted the greatest access under the new TRQs. These arrangements have not altered the EU's 66% access under the existing tariff quota regime for cheese.

Exports. Pursuant to the final decision rendered by the WTO in December 2002, which found that Canada’s dairy export practices constituted export subsidies, Canada is forced to export any quantity of milk products over its WTO commitments at prices based on Canada’s national raw milk prices. Such prices are above international milk prices, thereby making exports of dairy products from Canada non-competitive. The WTO decision does not affect dairy ingredients, such as lactose and whey.

3.1.2 THE US DAIRY INDUSTRY

Regulatory Environment

The production of all food products in the US is subject to extensive federal, state and local government regulations regarding advertising, quality, packaging, labelling and safety.

All food plants are subject to regulation and inspection by the US Food and Drug Administration (“FDA”) and by the US Department of Agriculture (“USDA”). Individual states may also enforce more stringent regulations regarding the manufacturing of food products. State and local government agencies work with the federal government to properly ensure the safety of food produced within their jurisdictions.

Milk Supply

In the US, there are two grades of milk: Grade A and Grade B. Grade A milk is produced under specific sanitary requirements and milk producers must hold a Grade A shipping permit. Grade A milk accounts for 99% of the US milk supply and is used for fluid products, as well as for the manufacturing of various dairy products, including cheese. Grade B milk represents 1% of the US milk production and is used exclusively for manufactured dairy products. Total milk production in the US approximates 864 million hectolitres per year.

The following table presents the utilization of US milk production in 2011⁽¹⁾:

Utilization of US Milk Production in 2011 ⁽¹⁾	
Utilized as fluid milk and cream	27%
Manufactured into natural cheese	24%
Manufactured into frozen dairy products	4%
Manufactured into butter	6%
Used on farms where produced	1%
Other uses	38%

⁽¹⁾ Source: USDA, Dairy Products 2011 Summary, published April 2012. Calculated from Total Solids.

In the US, the pricing of milk involves a wide variety of regulations based on public policy decisions. These regulations encompass milk price supports, federal milk marketing orders, import restrictions, export subsidies, domestic and international food aid programs and state-level milk marketing programs. Generally, milk pricing is regulated by milk marketing orders under federal jurisdiction, with the largest exception being California, which operates and regulates its own marketing order. In most cases, milk marketed within the US is priced according to its use. Minimum milk prices are set monthly by the milk marketing orders based on product price formulas. Price data used in the federal formulas takes into account the wholesale prices of cheese, butter, dry whey and non-fat dry milk. This data is collected through surveys conducted by USDA's National Agricultural Statistics Service. In the federal milk orders, milk used in fluid products is grouped in Class I, the highest price class. Milk used to produce ice cream, yogurt, cottage cheese, sour cream, ricotta cheese and other soft products is placed in Class II. Milk used to manufacture cheese, including cream cheese, is categorized in Class III and milk used to produce butter and milk powders is categorized in Class IV. California has a similar class pricing structure. As such, commodity prices are based on the Chicago Mercantile Exchange ("CME") simple average prices for Grade AA butter and 40 pound block of cheddar cheese, the California weighted average price for Grade A and extra Grade non-fat dry milk, and the simple average of the Dry Whey-West Monthly Price as reported by USDA Dairy Market News. In California, milk used to produce ice cream and sherbet is included in Class 3; milk used to manufacture butter and milk powder is included in Class 4a; and, milk used to produce cheese, including cream and ricotta cheeses, is included in Class 4b.

Wholesale pricing for the bulk of US cheese production is established by daily cash cheddar cheese trading on the CME. The last trade of the day establishes the market price for the day. If no trades occur, the market price is based on the bid and offer prices. Processors typically charge a premium over the CME price.

Dairy processing plants are not limited in terms of the quantity of milk they can receive and are free to negotiate their milk supply with whomever they choose. Independent processors usually negotiate with local cooperatives or they may procure milk directly from individual farms. Processors are charged a price which reflects the current month's class price plus a negotiated handling charge. In 2008, Congress passed the "Farm Bill" that allows processors to enter into forward contracts for milk supply directly with farmers.

US dairy programs influence the production and marketing of milk and milk products through the operation of the Commodity Credit Corporation ("CCC"), a federal agency. The CCC buys butter, non-fat dry milk and cheese at the following support prices:

- Butter @ US\$1.05 per pound;
- Cheddar cheese 40 pound blocks @ US\$1.13 per pound;
- Cheddar cheese 500 pound barrels @ US\$1.10 per pound;
- Non-fat dry milk powder non-fortified @ US\$0.80 per pound.

Such products are sold or used either domestically or internationally in specific government programs. The CCC does not directly support dairy farmers, nor does it establish a target return for farmers.

US Market

The USDA states that there were 524 cheese manufacturing plants in the US in 2011, which produced 4.8 billion kg of cheese. Cheddar cheese accounted for 29.6% of this amount, or 1.4 billion kg, while Italian-style cheeses totalled 2.1 billion kg, or 43.0%. Mozzarella alone amounted to 1.6 billion kg, representing 78.1% of Italian-style cheeses and 33.6% of all cheeses produced in 2011.

International Trade (US)

Imports. Another key component of the US dairy program is import restrictions. Most US cheese import quotas are country and product specific. Under the terms of the WTO Agreement on Agriculture, the US agreed to import, at a lower tariff rate, approximately 135,586 metric tons of cheese in 2011. Tariffs for cheese in excess of the quota are prohibitive.

Entry for dairy products made with sheep, goat and buffalo milk do not require a license nor are they subject to a US duty. The same is true for a few other products, including brie cheese.

Exports. US exports of dairy products in 2011 represented 13.3% of all milk solids produced in that year in the US. By dollar value, US dairy products export activity accounted for US\$4.8 billion in 2011, US\$3.7 billion in 2010 and US\$2.3 billion in 2009.

US dairy export activity is conducted commercially and through the Cooperatives Working Together (CWT) Export Assistance Program.

3.1.3 INTERNATIONAL DAIRY INDUSTRY

Throughout 2010 and 2011, the EU maintained its policy objective to progressively eliminate all milk production quotas by March of 2015. Although the EU has increased production quotas to producers in order to encourage increased milk output, farm production lags the available quota, leaving milk supplies tight.

Milk production improved to traditional levels in Australia in 2010 and 2011, and it continues to grow in New Zealand.

Globally, the shortage in milk production from traditional exporters in 2010 and 2011 is explained by moderate price increases at the farm gate, offset by dairy farmers' efforts to mitigate the impact of the higher cost of feed and other production inputs. This results in lower production, thereby impacting the availability of supply, while demand continues to grow, particularly in Asia.

As 2010 and 2011 progressed, prices firmed in the international market, contributing at a slow pace to an improvement in levels of milk production and to the stabilization of demand. Conditions are continuing to improve in most production areas, while in the EU, production quotas remain unfilled.

For 2012 and the foreseeable future, there remains a concern about the impact of increasing prices of farm gate inputs for milk production. In spite of the increased farm gate milk prices currently attained, the supply of dairy products will likely remain insufficient because input costs are now eroding operating margins for most farmers. Their attempts to reduce the impact of input costs are leading to a softening of milk production in many traditional production areas. It is anticipated that in the foreseeable future, the supply of dairy products will remain insufficient until production levels increase to meet historic domestic demand, as well as demand from developing economies.

European Union

Regulatory Environment

The EU has multiple food related legislation and supporting regulations, which cover all aspects of the agri-food industry, from farm production to food processing and distribution. All member states are required to implement and enforce the regulations as conditions of EU membership. Consequently, the EU regulatory regime is the umbrella under which all dairy food production, processing and distribution, as well as imports and exports, are governed within the EU. No member state may enact competing regulations which could constitute a barrier to internal trade within the EU, nor trade externally to the EU without meeting EU standards and their related obligations.

In light of the foregoing, the German and United Kingdom (“UK”) dairy industries operate under the general dairy provisions of the EU’s *Common Agricultural Policy*. In accordance with this policy, milk production quotas should be eliminated by 2015 and milk prices should be subject to increased market fluctuations, with partial compensation for farmers being provided through direct payments consistent with WTO commitments.

Within Germany and the UK, there are a series of regulations governing the processing of milk into dairy products. Their standards for cheese and skim milk powder are based on the international *Codex Alimentarius* of the Food and Agricultural Organization and World Health Organization. While there are federal, state, lander and municipal regulations, the majority are not specific to the dairy industry, but apply equally to all food processing establishments and require the application of recognized good manufacturing practices.

Milk Supply

In Germany and the UK, milk prices vary from state to state and are usually negotiated monthly between processors and milk producers. The bulk of the milk is generally bought by cooperatives, which process milk for their own account and also resell milk to milk dealers or to other processors. Processors generally contract a major portion of their supply needs with a cooperative or a milk dealer, and rely on the seasonal spot market to complete their annual requirements, taking advantage of seasonal milk price changes.

In 2008, the EU initiated a series of milk production quota increases for its member states, including Germany and the UK, setting the stage for increased milk production in the years leading to 2015 when all quotas should be eliminated. These initiatives have already had a mitigating effect on the price of milk.

Total milk production approximates 287 million hectolitres per year in Germany and 135 million hectolitres per year in the UK, which together represent about 29% of all European milk production. The following table indicates the production volume of selected dairy products in Germany and the UK:

German Production Volumes of Selected Dairy Products in 2010⁽¹⁾ (in thousands)		
Cheese	2,169	Metric tons
Fluid milk ⁽²⁾	5,122,330	Litres
Fermented products	1,895	Metric tons
Other dairy products	1,421	Metric tons

⁽¹⁾ Source: Bulletin FIL-IDF 451/2011.

⁽²⁾ Production of containers < 2 litres only.

UK Production Volumes of Selected Dairy Products in 2010⁽¹⁾ (in thousands)		
Cheese	335	Metric tons
Fluid milk	6,733,981	Litres
Fermented products	410	Metric tons
Other dairy products	494	Metric tons

⁽¹⁾ Source: Bulletin FIL-IDF 451/2011.

Exports

After many years of a declining milk price trend in Germany, prices for food in general, including dairy products, adjusted to more competitive levels in the past two years. Consequently, the overall export potential for Germany remains positive.

In the UK, until recent years, milk production had been slowly decreasing due to weather-related difficulties and consistently lower farm gate milk prices compared to the rest of the EU. In 2008, farm gate prices increased to levels not seen in decades, generating optimism in the farm community. However, this optimism has proven to be short-lived as prices collapsed in reaction to global market price adjustments. In 2010, milk supply increased by 4%, thereby reversing a six year declining trend. In 2011, while milk prices rose, so did farm input costs, thereby discouraging growth in milk production.

Argentina

Regulatory Environment

The regulatory environment in Argentina is different from that in Canada or the US. While there are national, provincial and municipal laws, only a small number are specific to the dairy industry. The dairy industry adheres to the international standards of the *Codex Alimentarius* of the Food and Agricultural Organization and World Health Organization for those products traded

internationally, such as cheese and milk powder, and follows recognized good manufacturing practices for all products brought to the domestic market.

Milk Supply

In Argentina, milk prices are negotiated monthly between processors and milk producers. There are no limitations or restrictions as to the quantity of milk that is produced and processed, nor is milk marketed within Argentina priced or classified according to its use. Moreover, dairy processors are not limited to the amount of milk that they can purchase and are free to negotiate milk supply agreements with whomever they choose. Usually, agreements are negotiated with dairy producers within a given radius of the dairy processing plant.

During 2009, notwithstanding the drop in dairy product prices as a result of international market conditions and difficult weather conditions during the winter/spring seasons, milk production volumes in the country remained at levels similar to those of 2008, totalling about 10 billion litres. In 2010, however, milk production volumes began to rise and continued in 2011.

Total milk production in Argentina approximates 103 million hectolitres per year. The following table indicates the production volume of selected dairy products produced in Argentina:

Argentina Production Volumes of Selected Dairy Products in 2010 ⁽¹⁾ (in thousands)		
Natural cheese	520	Metric tons
Fluid milk	2,546,989	Litres
Yogurt	491	Metric tons
Other dairy products	571	Metric tons

⁽¹⁾ Source: *Indicadores Lacteos 2010, Ministerio de Agricultura, Ganaderia y Pesca.*

Exports

Argentina is a member of the South American free trade group Mercosur, and is also an active participant in the international dairy market. It has a large milk basin and is capable of producing milk at internationally competitive prices. There are no governmental programs that aid processors to export dairy products. In fact, in 2007, the government imposed new regulations that limited selling prices on the export market. These regulations were revised in November 2007, which resulted in removing the ceiling price on butter and hard cheese. In March 2009, while the ceiling prices and export tax for cheese, milk powder and certain dairy products were eliminated, the government began to pre-approve the volume of several products destined to the export market in order to ensure that domestic requirements are met. In 2011, Argentina exported 440,083 MT of dairy products. Of this quantity, 215,058 MT was milk powder, 62,555 MT cheese and the remaining 162,470 MT consisted of other dairy products.

3.1.4 FUTURE TRENDS

In the coming years, the dairy industry will need to focus on creating innovative dairy products that match the changing nutritional needs of consumers. The long-term prognosis for growth in demand for dairy products is positive. In fact, expanding wealth in developing nations, despite European economic turmoil, has gradually begun to fuel a transition towards increased proteins in

the diet of their population, and the dairy industry is likely a primary beneficiary of this transition. Processors sourcing milk at world competitive prices and employing innovative processing technologies could position themselves to profitably serve these markets. Well-capitalized industry consolidators will likely take advantage of the current competitive environment to make strategic acquisitions. Milk supply based on farm gate prices adapted to the new economic reality will be key to dairy market expansion.

Discussions between various governments to pursue a final agreement through the Doha Round of WTO negotiations in an effort to reduce agricultural product subsidies and establish new tariffs for such products occurred in 2010 and continued into 2012 with a higher level of political involvement. The resulting impacts of a final agreement, when achieved, should challenge processors to remain competitive and grow internationally.

3.2 GROCERY PRODUCTS INDUSTRY

Regulatory Environment

The regulation of the content, composition, labelling, packaging, marketing and distribution of all food products in Canada is a shared responsibility between the federal and the provincial governments, and applies to all food processors in Canada, including the grocery products industry. Consequently, Saputo's bakery products are subject to quality and labelling standards, including those of the *Food and Drugs Act* and the *Consumer Packaging and Labelling Act*.

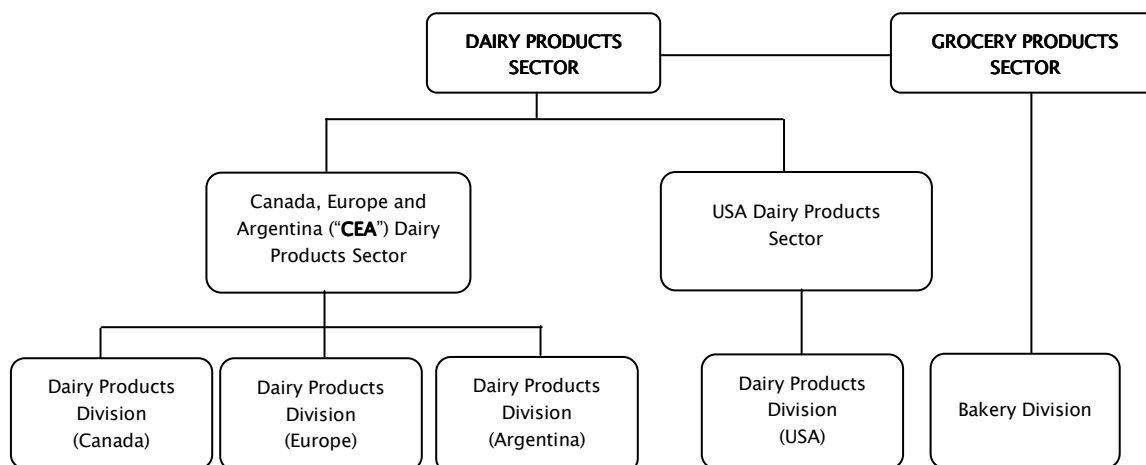
Trends

In recent years, Canada's retail market has changed with the increasing importance of non-supermarket channels of distribution, such as mass-merchandisers and warehouse clubs. This trend has resulted in significant consolidation within the traditional grocery channel where four national chains controlled approximately 59% of all retail sales in calendar year 2011.

The snack-cake industry generates sales of approximately \$724 million per year in Canada. This industry segment comprises, among other things, snack-cakes, muffins, fresh baked desserts, and marshmallow squares. Pre-packaged snack-cake products enjoy approximately a 21% market share of the snack-cake industry in Canada. Of the pre-packaged snack-cake products' total sales in Canada, approximately 56% and 30% are generated from the provinces of Québec and Ontario, respectively.

ITEM 4 - DESCRIPTION OF THE BUSINESS

The Company operates its business through two (2) sectors and five (5) divisions.



The Company operates 47 manufacturing facilities and employs approximately 10,100 employees.

Saputo sells its products under well-known brands, such as *Saputo*, *Alexis de Portneuf*, *Armstrong*, *Baxter*, *Dairyland*, *Danscorella*, *Dragone*, *DuVillage 1860*, *Frijo Cheese Heads*, *Great Midwest*, *King's Choice*, *Kingsey*, *La Paulina*, *Neilson*, *Nutralait*, *Ricrem*, *Salemville*, *Stella*, *Treasure Cave*, *hop & go*, *Rondeau* and *Vachon*.

The following table presents the relative importance of the Company's two Sectors over the last two fiscal years:

	Sales by Sector			
	Year ended March 31, 2012		Year ended March 31, 2011	
	Sales (\$000)	% of Total Sales	Sales (\$000)	% of Total Sales
Dairy Products Sector				
CEA Dairy Products Sector	4,054,516	58.5	3,837,188	63.9
USA Dairy Products Sector	2,741,813	39.6	2,024,455	33.7
Sub-total	6,796,329	98.1	5,861,643	97.6
Grocery Products Sector	134,041	1.9	141,289	2.4
Total	6,930,370	100.0	6,002,932	100.0

CEA Dairy Products Sector

Through its operations in Canada, Saputo produces, markets and distributes mozzarella and cheddar, as well as other specialty and fine cheeses, fluid milk and a wide range of dairy products, including cream, yogurt, butter, powdered milk, evaporated milk, ice cream mixes and value-added dairy ingredients, such as whey powder, lactose and whey protein. Saputo also distributes fine imported cheeses to specialty stores. The fluid milk product line is complemented by various non-dairy products, including flavoured coffee creamers, juices and drinks. Saputo has established itself as Canada's leading cheese manufacturer and fluid milk processor, with a share of approximately 32% of Canadian natural cheese production and 35% of Canadian fluid milk production. Saputo's dairy products are sold within three market segments: retail, foodservice and industrial.

In Europe, the Company produces and markets Italian-style cheese varieties, such as mozzarella, ricotta and mascarpone. Saputo sells these products mainly to the retail and foodservice markets.

Through its operations in Argentina, the Company produces and markets a wide variety of soft, semi-soft, hard and grated cheeses, as well as butter, cream, milk powder and dairy ingredients. Saputo sells these products to the retail and industrial market segments. Sales are well balanced between the national and international markets. Saputo is the third largest dairy processor in Argentina.

In fiscal 2012, sales from the CEA Dairy Products Sector represented 58.5% of the Company's total sales. The retail segment accounted for 60.0% of the CEA Dairy Products Sector sales, the foodservice segment for 26.0% and the industrial segment for 14.0%. Through this Sector, the Company operates 30 manufacturing facilities, 26 of which are located in Canada, one in Germany, one in the UK and two in Argentina, and employed, as of March 31, 2012, 6,063 employees, 4,964 of which were based in Canada, 144 in Europe and 955 in Argentina.

USA Dairy Products Sector

Through its USA Dairy Products Sector, the Company produces a wide variety of mozzarella, American-style and specialty cheeses. The Company also produces a variety of whey protein concentrates and ingredient blends. With the acquisition of DCI Cheese Company, Inc. on March 25, 2011 (the "**DCI Acquisition**"), the Company increased its specialty cheese product offering and holds an important portfolio of import licences for specialty cheeses manufactured abroad. Full year results relating to the DCI Acquisition are included in the Company's reporting for fiscal 2012.

Saputo ranks among the top three cheese producers in the US with approximately 9% of natural cheese production. Saputo services three market segments: retail, foodservice and industrial.

In fiscal 2012, the USA Dairy Products Sector represented 39.6% of the Company's total sales. The retail segment accounted for 37.5% of the USA Dairy Products Sector's sales volume, the foodservice segment for 47.3% and the industrial segment for 15.2%. Through this Sector, the Company operates 16 manufacturing facilities located in the US and employed, as of March 31, 2012, 3,335 employees.

Grocery Products Sector

The Company produces, markets and distributes mainly snack-cakes in Canada, which are sold almost exclusively in the retail market. Saputo is the largest manufacturer of snack-cakes in Canada. It also manufactures, on a small scale, for sale in the US market, branded products, as well as private label products for third parties.

In fiscal 2012, the Grocery Products Sector represented 1.9% of the Company's total sales. In this Sector, the Company operates one manufacturing facility located in the province of Québec and employed, as of March 31, 2012, 699 employees.

Overall Profile

The following tables present total Company sales by geographic and market segmentation for the last two fiscal years:

	Total Company Sales - Geographic Segmentation			
	Year ended March 31, 2012		Year ended March 31, 2011	
	Sales (\$000)	% of Total Sales	Sales (\$000)	% of Total Sales
Canada	3,681,259	53.1	3,581,615	59.7
Europe	63,856	0.9	48,327	0.8
Argentina	443,442	6.4	348,535	5.8
US	2,741,813	39.6	2,024,455	33.7
Total	6,930,370	100.0	6,002,932	100.0

	Total Company Sales - Market Segmentation			
	Year ended March 31, 2012		Year ended March 31, 2011	
	Sales (\$000)	% of Total Sales	Sales (\$000)	% of Total Sales
Dairy Products Sector				
CEA Dairy Products Sector				
Retail	2,434,071	35.1	2,376,311	39.6
Foodservice	1,052,358	15.2	1,022,740	17.0
Industrial	568,087	8.2	438,137	7.3
Sub-total	4,054,516	58.5	3,837,188	63.9
USA Dairy Products Sector ⁽¹⁾	2,741,813	39.6	2,024,455	33.7
Sub-total	6,796,329	98.1	5,861,643	97.6
Grocery Products Sector⁽²⁾	134,041	1.9	141,289	2.4
Total	6,930,370	100.0	6,002,932	100.0

- (1) Sales volumes are more representative of our US activities due to the impact of currency fluctuation and the variation of the selling price per pound of cheese on sales dollars (see table “USA Dairy Products Sector – Sales Volumes – Market Segmentation”).
- (2) The grocery products are sold almost exclusively in the retail market segment.

4.1 CEA DAIRY PRODUCTS SECTOR

4.1.1 PRODUCTS

Throughout Canada, Saputo produces, markets and distributes a wide variety of quality cheeses, including mozzarella and cheddar, specialty cheeses, such as ricotta, provolone, parmesan, feta and havarti, fine cheeses, such as brie and camembert, other firm cheeses, including brick, colby, farmer, munster and monterey jack, as well as fresh curd and processed cheeses. Saputo’s cheese products are sold under various brand names, such as *Saputo*, *Armstrong*, *Alexis de Portneuf*, *Bari*, *Cheese Heads*, *Cogruet*, *DuVillage 1860*, *Kingsey* and *Stella*. Saputo also sells cheese products under private labels and produces butter, powdered milk and evaporated milk, ice cream mixes, as well as a number of dairy ingredients derived from its cheese production, including whey powder, lactose and whey protein. Through the Company’s cheese distribution network, it distributes fine imported cheeses to specialty stores, as well as certain non-dairy products manufactured by third parties.

Saputo also produces and markets fluid milk, cream, yogurt, sour cream and cottage cheese. Fluid milk is sold under the *Dairyland* brand in Western Canada, the *Neilson* brand in Ontario, the *Nutralait* brand in Québec and the *Baxter* brand in the Maritimes. Specialty milk is marketed under the *Trutaste* brand, as well as under the brand names *The Ultimate*, *Dairy Oh!*, *Milk 2 Go/Lait’s Go*, *Dairyland Plus* and *Nutralait Plus*. In addition, within its fluid milk operations, Saputo produces and distributes non-dairy products, including flavoured coffee creamers under the *International Delight®* brand, and juices and drinks, such as *Sunny Delight®*.

In Europe, the Company produces and markets Italian-style cheese varieties, such as mozzarella, ricotta and mascarpone. The majority of these products are sold on the European market under the *Saputo* and *Danscorella* brand names.

In Argentina, Saputo produces and markets a wide variety of soft, semi-soft, hard and grated cheeses, as well as butter, cream, milk powder and dairy ingredients. Sales of these products are well balanced between the national and international markets. These products are sold under the recognized brand names of *La Paulina*, *Molfino*, *Saputo*, *Stella* and *Ricrem*.

4.1.2 PRODUCTION

Raw Materials

Milk represents the primary cost incurred by the Company in the manufacturing of dairy products. In Canada, due to the regulated nature of the dairy industry, Saputo can only source its milk

* Trademark used under licence.

through the milk boards in each province. The Company sources its other raw materials from various suppliers.

In Europe, Saputo sources the majority of its milk for its German operations from various milk dealers and, for its UK operations, from farmers. The Company sources its other raw materials from various suppliers.

In Argentina, Saputo sources its milk directly from farmers, approximately 2% of which is sourced from farms owned by Saputo. The Company sources its other raw materials from various suppliers.

Facilities

In the CEA Dairy Products Sector, the Company operates a total of 30 manufacturing facilities, 26 of which are located in Canada, two in Europe and two in Argentina. The Company owns all of its plants with the exception of one facility located in Calgary, Alberta. The Canadian facilities have an overall excess capacity of 33%.

In Europe, the Company operates one facility in Germany and one in the UK, with an overall excess capacity of 65%.

In Argentina, the Company operates two facilities, with an overall excess capacity of 13%.

4.1.3 MARKETS

Saputo is Canada's leading cheese manufacturer with a share of approximately 32% of Canadian natural cheese production. Saputo sells its cheese products to the retail, foodservice and industrial market segments. The Company also distributes fine imported cheeses to specialty stores and sells various non-dairy products manufactured by third parties that are complementary to the sale of its cheeses. The Company is the leading fluid milk processor in Canada, with a share of approximately 35% of Canadian fluid milk production. Through its Canadian operations, Saputo also sells lactose, whey powder, ice cream mixes and whey protein to a vast array of clients in Canada, Europe, South America, Asia and Africa.

Saputo is a small player in Europe, processing less than 1% of the entire milk production in Germany and the UK. The Company sells its products throughout the EU, mainly to the retail and foodservice market segments.

Saputo is the third largest dairy processor in Argentina, processing approximately 9% of the entire milk production. The sale of its products manufactured in Argentina is well balanced between the national and international markets. Products are sold nationally to the retail and industrial market segments, as well as internationally to over 35 countries.

Clientele

The following table presents, for the CEA Dairy Products Sector, sales by market segmentation for each of the last two fiscal years:

CEA Dairy Products Sector – Sales – Market Segmentation				
	Year ended March 31, 2012		Year ended March 31, 2011	
	Sales (\$000)	% of Total Sales	Sales (\$000)	% of Total Sales
Retail	2,434,071	60.0	2,376,311	61.9
Foodservice	1,052,358	26.0	1,022,740	26.7
Industrial	568,087	14.0	438,137	11.4
Total	4,054,516	100.0	3,837,188	100.0

Retail. Saputo sells both branded and private label products to its retail customers, which include supermarket chains, mass-merchandisers, convenience stores, independent retailers, warehouse clubs and specialty cheese boutiques. In fiscal 2012, the majority of Saputo's retail sales were in branded products, with the remainder being private label. Saputo's retail dairy products are sold in the dairy case and deli cheese counter sections of retail stores. Saputo provides its retail customers with a wide range of dairy products, including cheddar, mozzarella, fluid milk, cream, yogurt, sour cream, cottage cheese, specialty cheeses and fine cheeses. The fluid milk product line is complemented with various non-dairy products, including flavoured coffee creamers, juices and drinks.

Foodservice. Foodservice customers include broadline distributors, restaurants (corporate restaurant chains, franchisees and individually-owned), hotels and institutions. Saputo provides its foodservice customers with branded and private label dairy products. Through its distribution network, Saputo sells non-dairy products manufactured by third parties. Saputo also produces soft-serve dairy mixes for quick serve restaurant chains.

Industrial. Industrial clients include processors who use the Company's products as ingredients in the preparation of other food items. The Company supplies cheese to processors of frozen entrées, as well as to frozen pizza manufacturers. The Company also produces dairy ingredients, such as lactose, whey powder and whey protein, and sells lactose, whey powder, ice cream mixes, whey protein, milk powder, evaporated milk, butter and cream to a vast array of clients in Canada, Argentina, Europe, South America, Asia and Africa.

4.1.4 DISTRIBUTION

In Canada, sales of dairy products are made through direct shipments to certain large retail, foodservice and industrial customers, as well as to national and regional third party distributors. Saputo has also developed a nation-wide distribution network for its dairy operations, comprised of 25 distribution centres and warehouses and over 640 distribution routes located across Canada.

In Europe, the Company distributes its products to its customers mainly through third party carriers.

In Argentina, the Company distributes its products through third party distributors, which are supplied through the Company's three distribution centres located across the country. This network services large retail chains, distributors and industrial customers.

4.1.5 COMPETITION

In Canada, the Company competes mainly with multinational and national dairy processors and manufacturers. Saputo has established itself as Canada's leading cheese manufacturer and fluid milk processor, with a share of approximately 32% of Canadian natural cheese production and 35% of Canadian fluid milk production.

The Company is a small player in Europe and it competes mainly with national and multinational milk processors.

The Company is the third largest dairy processor in Argentina, processing approximately 9% of the entire milk production. The Company competes mainly with national and international milk processors.

4.1.6 EMPLOYEE RELATIONS

As of March 31, 2012, the Company's CEA Dairy Products Sector had a total of 6,063 employees, of which 4,964 are located in Canada, 144 in Europe and 955 in Argentina. Approximately 43% of the CEA Dairy Products Sector's workforce is unionized.

The Company does not currently foresee any labour unrest in connection with the renewal of collective agreements expiring in fiscal 2013. All agreements that expired in fiscal 2012 were either renewed upon satisfactory terms or continue to govern during ongoing negotiations, which are expected to result in satisfactory renewals. The Company has good employee relations. The loyalty and dedication of its employees are key elements in the Company's performance. In Management's opinion, this is the direct result of the family culture that has permeated the entire Company.

4.2 USA DAIRY PRODUCTS SECTOR

4.2.1 PRODUCTS

Through its Dairy Products Division (USA), Saputo produces a broad line of mozzarella, American-style and specialty cheeses, such as ricotta, provolone, blue, swiss, parmesan and romano, which are sold under various brand names, including *Dragone*, *Friigo Cheese Heads*, *Gardenia*, *Lorraine*, *Lugano*, *Saputo*, *Stella* and *Treasure Cave*, as well as under private labels. The Company also produces whey powder, whey protein concentrates and ingredient blends.

With the DCI Acquisition, the Company converts, markets and sells a broad range of specialty cheeses, which are sold under various brand names, such as *Great Midwest*, *King's Choice* and *Salemville*, as well as under private labels. The Company also holds an important portfolio of import licences for specialty cheeses manufactured abroad.

4.2.2 PRODUCTION

Raw Materials

In the US, Saputo sources its milk primarily from cooperatives, mainly through short and long-term supply agreements, as well as directly from farmers. Milk represents the primary cost incurred by the Company in the manufacturing of the dairy products. The Company sources its other raw materials from various suppliers.

Facilities

Within this Sector, the Company operates 16 manufacturing facilities, which are all owned by the Company, except for the facility located in Green Bay, Wisconsin. The US facilities have an overall excess capacity of 7%.

4.2.3 MARKETS

Saputo is among the top three cheese producers in the US with approximately 9% of natural cheese production. The Company competes in the US natural cheese industry by selling branded and private label products to retail, foodservice and industrial customers.

Clientele

The following table presents, for the USA Dairy Products Sector, sales volumes by market segmentation for each of the last two fiscal years:

	USA Dairy Products Sector – Sales Volumes – Market Segmentation ⁽¹⁾	
	Year ended March 31, 2012	Year ended March 31, 2011
	% of Total Sales Volumes	% of Total Sales Volumes
Retail	37.5	37.9
Foodservice	47.3	47.6
Industrial	15.2	14.5
Total	100.0	100.0

(1) Sales volumes are more representative of our US activities due to the impact of currency fluctuation and the variation of the selling price per pound of cheese on sales dollars.

Retail. Saputo sells both branded and private label products to its retail customers, which include supermarket chains, mass-merchandisers, independent retailers, warehouse clubs and specialty cheese boutiques. In fiscal 2012, Saputo's retail sales were in private label and branded products. Saputo's retail dairy products are sold in the dairy case and deli cheese counter sections of stores. With the DCI Acquisition, the Company has significantly broadened the range of domestic and imported specialty cheese products offered to its retail customers.

Foodservice. Foodservice customers include broad-line distributors, restaurants (corporate restaurant chains, franchisees and individually-owned) and hotels. Saputo provides its foodservice customers with branded and private label products.

Industrial. Industrial clients include processors who use the Company's products as ingredients in the preparation of other food items. The Company supplies cheese to numerous processors of frozen entrées, including manufacturers of frozen pizza, sauces and dressings. The Company also produces dairy ingredients from its cheese manufacturing activities, such as whey protein.

4.2.4 DISTRIBUTION

Sales are made through direct shipments to certain large retail, foodservice and industrial customers, as well as to national and regional third party distributors.

4.2.5 COMPETITION

In the US, the Company has both regional and national competitors.

4.2.6 EMPLOYEE RELATIONS

As of March 31, 2012, the Company's USA Dairy Products Sector had 3,335 employees. Approximately 25% of the workforce is unionized.

Collective agreements that expired in fiscal 2012 were renewed upon satisfactory terms and the Company does not foresee any labour unrest in connection with the renewal of collective agreements expiring in fiscal 2013. The Company has good employee relations in the US. The loyalty and dedication of its employees are key elements in the Company's performance. In Management's opinion, this is the direct result of the family culture that has permeated the entire Company.

4.3 GROCERY PRODUCTS SECTOR

4.3.1 PRODUCTS

Within this Sector, the Company produces, markets and distributes mainly snack-cakes in Canada, which are sold almost exclusively in the retail market. Its products are sold under the *Vachon*, *hop & go*, *Hostess*, *Igor* and *Rondeau* umbrella brands, which carry recognized brand names, such as *Jos Louis*, *Ah Caramel!*, *Passion Flakie*, *May West*, *Granny's* and *Big Daddy*.

4.3.2 PRODUCTION

Raw Materials

The Company generally sources its raw materials from various suppliers.

Facilities

Within this Sector, Saputo operates one manufacturing facility in the province of Québec. This facility is owned by the Company and has an overall excess capacity of 39%.

4.3.3 MARKETS

The Company is the largest manufacturer of snack-cakes in Canada. Saputo sells its snack-cake products almost exclusively in the retail market segment through supermarket chains, independent retailers and warehouse clubs. The Company's sales for this Sector are almost exclusively in branded products. During fiscal 2012, the Company manufactured, on a small scale, for sale in the US market, branded products, as well as private label products for third parties.

4.3.4 DISTRIBUTION

The Company's grocery products are distributed through its direct-to-store delivery distribution network in Eastern Canada and through warehouses in Western Canada and the US.

4.3.5 COMPETITION

The Company competes mainly with regional and foreign manufacturers, which enjoy smaller market shares than Saputo in Canada.

4.3.6 EMPLOYEE RELATIONS

As of March 31, 2012, the Grocery Products Sector had 699 employees, approximately 83% of which were unionized. The Company does not currently foresee any labour unrest in connection with the renewal of the collective agreement expiring in fiscal 2013. Two collective agreements expired in fiscal 2012 and were renewed upon satisfactory terms.

4.4 CAPITAL EXPENDITURES

Management believes that the Company has adequate manufacturing capacity to meet current and near-term demand for its products. It is Saputo's intention to continue to expand and modernize its plants, with investments being focused on equipment and processes designed to increase efficiency. More specifically, during the last five fiscal years, Saputo incurred \$560 million in capital expenditures. In fiscal 2012, the Company spent \$119 million in capital expenditures and, in fiscal 2013, Saputo expects to incur capital expenditures of approximately \$129 million.

With regards to depreciation expense, during the last five fiscal years, Saputo recorded \$480 million in depreciation expense. In fiscal 2012, depreciation expense totalled \$97 million and, in fiscal 2013, the Company expects to incur approximately \$100 million in depreciation expense.

4.5 ENVIRONMENT

The Company has an environmental policy directed towards minimizing the environmental impact of all its activities, which promotes environmental awareness among employees and affirms the Company's commitment to pursue environmentally responsible business practices and seek continuous improvement in its environmental performance. The Company defines, reviews and updates its environmental objectives in order for its operations to be managed in compliance with applicable environmental laws and regulations, taking into consideration sound management. Among other measures to achieve its commitment under the policy, the Company provides training to employees in their environmental responsibilities, conducts regular environmental audits to confirm that the operations are managed in compliance with applicable environmental laws and regulations, the policy's objectives and principles of sound management, and adopts and applies programs and procedures which minimize the consequences of emergency events. Within each of its operating divisions, the Company has employees responsible for environmental matters and the application of the environmental policy.

The Company's environmental committee, which includes the Chief Executive Officer, the President and Chief Operating Officer, the President of each operating division and the senior manager in each division responsible for environmental matters, is responsible for overseeing the application of the environmental policy. The environmental committee meets quarterly to discuss the environmental condition of all Company facilities, the required action plans and the status of ongoing projects. A report is presented on a quarterly basis by a representative of the environmental committee to the Audit Committee, which is responsible for risk management. The Chair of the environmental committee also meets annually with the Audit Committee to review the application of the environmental policy and the environmental performance of the Company's activities. Reference is made to Appendix A hereto for the Audit Committee's Mandate.

The Company's global operations are subject to various federal, provincial, state, municipal and local laws and regulations relating to environmental protection. Its facilities generally operate under wastewater discharge permits issued under these laws and regulations or have entered into wastewater discharge agreements with local municipalities. Compliance with these laws, regulations, permits and agreements require the Company to incur expenses and to monitor its operations on an ongoing basis. The Company believes that its operations are in compliance in all material respects with the requirements of its permits and agreements, and with currently applicable environmental laws and regulations, except as discussed below. It is the Company's intention to comply with all applicable environmental laws and regulations, including all permit requirements and agreements with municipalities.

Exceedances in wastewater generated by some Company facilities over the limits prescribed in applicable laws, wastewater discharge permits or agreements with municipalities have been registered in the past and in some recent samplings, and an isolated wastewater overflow incident at one location occurred in January 2010 and was promptly addressed. At such facilities, the Company has been implementing various measures to reduce wastewater at source and, at certain locations, has upgraded or is upgrading equipment to achieve compliance and prevent future incidents.

Through past acquisitions, the Company inherited historical contamination at some facilities. Most of these sites had been contaminated by former petroleum storage tanks, all of which have been addressed. At each of these sites, the Company is either implementing proper remediation

measures or proceeding with additional investigations to determine if further action is required. In some cases, with the consent of governmental authorities, the Company continues to monitor the situation to confirm that no further action is required. The Company does not expect that major expenditures will be required to deal with the contamination at these facilities.

The Company stays apprised of new climate change legislation, has appropriate monitoring plans in place where required, and complies with the registration or reporting requirements currently applicable to some of its facilities. None of the Company's facilities is currently subject to greenhouse gas emission reduction requirements.

During fiscal 2012, the Company spent approximately \$6.6 million to comply with existing environmental laws and regulations and improve plant efficiencies to reduce noise emission and wastewater discharge, to update or remove underground storage tanks, to address contamination issues and to improve wastewater treatment systems at a number of its facilities, plus approximately \$100,000 for costs associated with obligations related to closed facilities. All amounts spent during fiscal 2012 are reflected in the Company's Financial Statements included in the 2012 Annual Report. For fiscal 2013, Management estimates similar expenditures at approximately \$3 million and \$115,000, respectively. Management believes that compliance with currently applicable environmental protection requirements will not have a material effect on the Company's earnings or competitive position during fiscal 2013.

4.6 INTELLECTUAL PROPERTY

As the Company is involved in the production, sale and distribution of food products, it relies on brand recognition and loyalty from its clientele, in addition to relying on the quality of its products. The Company focuses on certain established brands and believes that its trademarks are recognized by consumers for quality and reliability. Also, as innovation forms part of Saputo's growth strategy, new technologies, products and process optimization methods have been developed by our research and development teams in recent years. In parallel, the approach to the protection of these assets has evolved, which may include patenting certain technologies when appropriate. Hence, Saputo takes appropriate measures to protect and enforce its intellectual property.

4.7 RISKS AND UNCERTAINTIES

The risks and uncertainties related to our operations are disclosed in the Company's Management's Discussion and Analysis contained in the 2012 Annual Report, more specifically on page 19 thereof under the heading "Risks and Uncertainties", and incorporated herein by reference. The Management's Discussion and Analysis may be found on SEDAR at www.sedar.com. A copy may also be obtained upon request to the Secretary of the Company, at its head office, 6869 Métropolitain Boulevard East, Saint-Léonard, Québec, H1P 1X8, Telephone: 514.328.6662.

ITEM 5 - DIVIDEND POLICY

Saputo has a policy of declaring quarterly cash dividends on the Common Shares. In fiscal 2010, 2011 and 2012, Saputo declared, respectively, yearly dividends on the Common Shares of \$0.58, \$0.64 and \$0.76 per share. In fiscal 2012, the Company's dividend policy was reviewed by the Board of Directors and the quarterly dividend of \$0.16 per share, representing a yearly dividend of

\$0.64 per share, was increased on August 2, 2011, to \$0.19 per share, representing a yearly dividend of \$0.76 per share. The balance of the Company's earnings are reinvested to finance the growth of its business. The Company's dividend policy is reviewed from time to time, but at least once annually, by the Board of Directors and depends on Saputo's financial condition, results of operations, capital requirements and such other factors as the Board of Directors, in its sole discretion, deems relevant.

ITEM 6 - CAPITAL STRUCTURE

The articles of the Company provide that its authorized share capital shall be composed of an unlimited number of Common Shares and an unlimited number of Preferred Shares, issuable in series, all without nominal or par value. As of the close of business on May 25, 2012, 199,221,014 Common Shares and no Preferred Shares were issued and outstanding.

The following is a summary of the material provisions which attach to the classes of shares of the capital stock of Saputo and is qualified by reference to the full text of the rights, privileges, restrictions and conditions of such shares.

Common Shares

The Common Shares carry and are subject to the following rights, privileges, restrictions and conditions:

Voting

Each Common Share entitles its holder to receive notice of and to attend all general and special meetings of shareholders of Saputo, other than meetings at which only the holders of a particular class or series are entitled to vote, and each such Common Share entitles its holder to one vote.

Dividends

The holders of Common Shares are, at the discretion of the Board of Directors, entitled to receive, out of any amounts properly applicable to the payment of dividends and after the payment of any dividends payable on the Preferred Shares, any dividends declared and payable by Saputo on the Common Shares.

Dissolution

The holders of Common Shares shall be entitled to share equally in any distribution of the assets of Saputo upon the liquidation, dissolution or winding-up of Saputo or other distribution of its assets among its shareholders. Such participation is subject to the rights, privileges, restrictions and conditions attached to any issued and outstanding Preferred Shares or shares of any other class ranking prior to the Common Shares.

Preferred Shares

Preferred Shares may be issued from time to time in one or more series. The terms of each series of Preferred Shares would include the number of shares authorized for issuance, as well as the designation, rights, preferences, privileges, priorities, restrictions, conditions and limitations attached thereto, which would be determined at the time of issuance of each such series by the Board of Directors of Saputo without shareholder approval, provided that all Preferred Shares will rank, with respect to dividends and return of capital in the event of liquidation, dissolution, winding-up or other distribution of assets of Saputo for the purpose of winding-up its affairs, *pari passu* among themselves and in priority to all shares of any class ranking junior to the Preferred Shares.

ITEM 7 - MARKET FOR SECURITIES

7.1 TRADING

The Common Shares of Saputo are listed on the Toronto Stock Exchange under the stock market symbol "SAP". The following table outlines the price range and trading volume of the Common Shares for each month of the last fiscal year:

Price Range and Trading Volume of the Common Shares			
Month	High (\$)	Low (\$)	Volume
April 2011	47.05	41.40	5,225,438
May 2011	47.64	43.98	4,165,552
June 2011	49.05	44.30	5,453,850
July 2011	47.75	44.59	3,440,125
August 2011	44.99	37.68	8,695,927
September 2011	42.60	35.80	10,013,410
October 2011	44.21	39.80	6,554,255
November 2011	41.63	37.28	6,229,039
December 2011	39.45	37.31	11,329,458
January 2012	41.32	37.73	6,849,834
February 2012	41.81	40.14	4,764,730
March 2012	43.95	40.26	9,201,124

ITEM 8 - DIRECTORS AND OFFICERS

8.1 DIRECTORS

The following table sets forth each director's name, Province/State and Country of residence, the year each first became a director, principal occupation and the number of Common Shares beneficially owned or over which control or direction was exercised, directly or indirectly, as of May 25, 2012. Directors are elected until the next annual meeting of shareholders or, in the case of a vacancy or resignation, until a successor is elected or appointed.

Name and Province/State and Country of Residence	Director Since	Principal Occupation	Common Shares Beneficially Owned or Over Which Control or Direction was Exercised as of May 25, 2012
Emanuele (Lino) Saputo ⁽¹⁾ Québec, Canada	1992	Chairman of the Board of the Company	69,879,924 ⁽²⁾
Lino A. Saputo, Jr. Québec, Canada	2001	Chief Executive Officer and Vice Chairman of the Board of the Company	68,313
André Bérard ^{(3) (5) (7)} Québec, Canada	1997	Corporate Director	36,250
Lucien Bouchard ⁽³⁾ Québec, Canada	2004	Senior Partner, Davies Ward Phillips & Vineberg LLP	–
Pierre Bourgie ⁽³⁾ Québec, Canada	1997	President and Chief Executive Officer of Société Financière Bourgie (1996) Inc. (a diversified investment company)	946,000
Frank A. Dottori ^{(4) (6)} Québec, Canada	2003	President of FADCO Consulting Inc. (a consulting company)	2,575
Anthony M. Fata ⁽⁴⁾ Québec, Canada	2008	President of Sager Food Products Inc. (a food products manufacturing and distribution company)	6,000
Jean Gaulin ^{(3) (7)} California, USA	2003	Corporate Director	51,200
Tony Meti ⁽⁴⁾ Québec, Canada	2008	President of G.D.N.P. Consulting Services, Inc. (a consulting company)	10,400
Caterina Monticciolo, CA Québec, Canada	1997	President of Julvest Capital Inc. (a holding company)	238,000
Patricia Saputo, CA, ICD.D Québec, Canada	1999	Chief Financial Officer of Placements Italcen Inc. (a diversified investment company)	2,000

- (1) Mr. Emanuele (Lino) Saputo is a director of Arbec Forest Products Inc. (formerly Uniforêt Inc.), which filed for protection under the *Companies' Creditors Arrangement Act* on April 17, 2001. In May 2003, Uniforêt Inc. entered into a plan of arrangement with its creditors. In February 2004, it completed the implementation of this plan.
- (2) The shares are held by Jolina Capital Inc. and Gestion Jolina Inc., both of which are holding companies controlled by Mr. Emanuele (Lino) Saputo.
- (3) Member of the Corporate Governance and Human Resources Committee. The Chairman of the Committee is Mr. André Bérard.
- (4) Member of the Audit Committee. The Chairman of the Committee is Mr. Tony Meti.

- (5) Lead Director.
- (6) Mr. Frank A. Dottori was a director of Gestion Papiers Gaspésia Inc. and its subsidiary, Papiers Gaspésia Inc., until October 29, 2003. On January 30, 2004, Papiers Gaspésia Inc. and Papiers Gaspésia Limited Partnership filed for protection under the *Companies' Creditors Arrangement Act*. On July 4, 2005, the Plan of Arrangement submitted by Papiers Gaspésia Inc. and Papiers Gaspésia Limited Partnership to their creditors was homologated by the Court and has been implemented since then.
- (7) Messrs. André Bérard and Jean Gaulin have advised the Company that they do not intend to renew their mandates as directors. Reference is made to the Company's Management Proxy Circular dated June 5, 2012 for additional information regarding Board nominees to be elected at the annual meeting of shareholders to be held on July 31, 2012.

During the last five years, all of the above-listed directors have been engaged in their present principal occupations or in other executive capacities with the companies indicated opposite their name or with related or affiliated companies, except for: Mr. Frank A. Dottori, who is President of FADCO Consulting Inc. since May 2006 and was managing director of GreenField Ethanol Inc.'s Cellulosic Ethanol division (an ethanol and industrial alcohol manufacturer and distributor) from March 2008 to October 2011.

Information as to shares beneficially owned by each director, or over which each exercised control or direction, as of May 25, 2012, has been provided by the directors individually.

Additional information concerning the shareholdings of, options held by and deferred share units granted to directors is included in the section entitled "Election of Directors" on page 5 of the Company's Management Proxy Circular dated June 5, 2012. This information is incorporated herein by reference.

8.2 EXECUTIVE OFFICERS

In November 2011, the Company announced changes to senior management effective April 1, 2012. These changes are reflected in the following table, which sets forth, as of the date hereof, the name, Province/State and Country of residence and position with the Company of each person who is an executive officer of the Company:

Name and Province/State and Country of Residence	Position
Emanuele (Lino) Saputo Québec, Canada	Chairman of the Board
Lino A. Saputo, Jr. Québec, Canada	Chief Executive Officer and Vice Chairman of the Board
Kai Bockmann Illinois, US	President and Chief Operating Officer Dairy Products Division (International)
Terry Brockman Wisconsin, US	President and Chief Operating Officer Dairy Products Division (USA)
Louis-Philippe Carrière, FCA Québec, Canada	Executive Vice President Finance and Administration, and Secretary
Dino Dello Sbarba, FCMA Québec, Canada	President and Chief Operating Officer
Lionel Ettedgui Québec, Canada	President and Chief Operating Officer Bakery Division
Lorenzo Spinelli Québec, Canada	President and Chief Operating Officer Dairy Products Division (Canada)
Gaétane Wagner Québec, Canada	Executive Vice President Human Resources

During the last five years, all of the above-listed executive officers have held the principal occupation indicated opposite their names or other executive capacities with the Company, except for: Mr. Kai Bockmann who, until December 2011, was Managing Director for Asia Division of McCain Foods Limited, a food company; and Mr. Lionel Ettedgui who, until October 2008, was President, General Manager and Chairman of the Board of Kooll Desserts.

As of May 25, 2012, the directors and executive officers of Saputo, as a group, beneficially owned or exercised control or direction over, directly or indirectly, an aggregate of 71,311,068 Common Shares, representing approximately 36% of the outstanding Common Shares of the Company.

ITEM 9 - LEGAL PROCEEDINGS

The Company is defendant to certain claims arising from the normal conduct of its business. Management believes that the final resolution of these claims will not have a material adverse effect on its earnings or financial position.

ITEM 10 - INTEREST OF MANAGEMENT AND OTHERS IN TRANSACTIONS

In the normal course of business, the Company receives and provides goods and services from and to companies subject to control or significant influence through ownership by its principal shareholder. These goods and services are of an immaterial amount and compensated by a consideration equal to their fair market value, comparable to similar arms' length transactions. Reference is made to note 20 of the Consolidated Financial Statements of the Company, which describes the related party transactions (see "Additional Information").

ITEM 11 - EXPERTS

Saputo's auditors are Deloitte & Touche LLP. Saputo's Consolidated Financial Statements as of March 31, 2012 and for the year then ended have been filed under National Instrument 51-102 "Continuous Disclosure Obligations" in reliance on the report of Deloitte & Touche LLP, independent chartered accountants, given on their authority as experts in auditing and accounting. Deloitte & Touche LLP have advised Saputo that they are independent within the meaning of the Code of Ethics of the *Ordre des comptables agréés du Québec*.

ITEM 12 - TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar of the Company is Computershare Trust Company of Canada at its principal offices in Montreal and Toronto.

ITEM 13 - MATERIAL CONTRACTS

No material contract outside the ordinary course of business was entered into by the Company since January 1, 2002.

ITEM 14 - AUDIT COMMITTEE INFORMATION

14.1 AUDIT COMMITTEE'S CHARTER

The Audit Committee's mandate is included in Appendix A.

14.2 COMPOSITION AND RELEVANT EDUCATION AND EXPERIENCE

All members of the Audit Committee are independent and financially literate.

The following table sets forth each Audit Committee member's name and education, as well as experience relevant to the performance of his responsibilities as an Audit Committee member:

Name	Education and Experience
Frank A. Dottori	Completed a Bachelor's degree in Chemical Engineering and Applied Science. In 1973, Mr. Dottori and three other executives founded Tembec Inc. and Mr. Dottori was Tembec's President and Chief Executive Officer until January 26, 2006. In May 2006, he became the President of FADCO Consulting Inc. Mr. Dottori has served as a Governor of the Montreal Stock Exchange, Director of the Canadian Market Productivity Centre and on the Board of Directors of several organizations and corporations. Mr. Dottori's professional experiences required and contributed to the development of his ability to analyze financial statements and understand the accounting principles used by the Company.
Anthony M. Fata	Completed a Bachelor's degree in Law and a Master's degree in business and administration (MBA) and is a member of the Quebec Bar. From 1993 to 1999, he occupied various positions in the Corporate Finance and Mergers and Acquisitions department of a Canadian Chartered Bank, including Executive Director. During this period, he was actively involved in various equity and debt issues, as well as numerous merger and acquisition transactions. In 1999, he became Vice-President of sales and marketing of Sager Food Products Inc. and was appointed President in November 2004. In this role, he is responsible for the financial results and financial statements and is also required to understand internal controls and procedures. Mr. Fata's professional experiences required and contributed to the development of his ability to analyze financial statements and understand the accounting principles used by the Company.
Tony Meti	Completed a Bachelor's degree in Commerce. Mr. Meti occupied over the past thirty (30) years various positions within Canadian Chartered Banks, including Senior Vice-President, Commercial Banking and International and Senior Vice-President, Commercial, North America. He is now the President of G.D.N.P. Consulting Services, Inc. Mr. Meti's professional experiences required and contributed to the development of his ability to analyze financial statements and understand the accounting principles used by the Company.

14.3 POLICIES AND PROCEDURES REGARDING THE SERVICES RENDERED BY THE EXTERNAL AUDITORS

The Company has a policy with respect to services rendered by its external auditors (the “**Policy**”). The Policy divides the services in three categories: (i) services that are considered audit related (“**Audit Services**”) and therefore covered by the annual audit budget; (ii) services that do not qualify as Audit Services (“**Other Mandates**”); and (iii) services that cannot be provided by the external auditors (“**Prohibited Mandates**”). Pursuant to the Policy, no Other Mandate(s) can be provided by the Company's external auditors, unless one of the following conditions is met:

- (i) the Audit Committee has pre-approved the Other Mandate(s); or
- (ii) the amount of the fees to be paid for any individual Other Mandate not pre-approved by the Audit Committee does not exceed \$75,000 and the aggregate amount of this and all Other Mandate(s) not pre-approved by the Audit Committee and granted since the beginning of the Company's fiscal year does not exceed \$150,000.

Finally, the Policy requires that Management presents to the Audit Committee, on a quarterly basis, a statement of the services (other than the Audit Services) rendered by the external auditors of the Company, as well as any mandate given to other accounting firms.

14.4 EXTERNAL AUDITORS' FEES (BY CATEGORY)

The following table sets out, by categories, the fees billed by Deloitte & Touche LLP, the Company's external auditors, for the fiscal years 2012 and 2011:

Fee Category	2012 (\$)	2011 (\$)
Audit Fees	678,658	701,503
Audit Related Fees	135,178	274,141
Tax Fees	281,370	223,955
All Other Fees	7,464	1,424
Total	1,102,670	1,201,023

"Audit Fees" include the aggregate professional fees billed by Deloitte & Touche LLP for the audit of the consolidated annual financial statements.

"Audit Related Fees" include the aggregate fees billed by Deloitte & Touche LLP for services that would normally be performed by the external auditors. More specifically, these services include, among other things, pension plan audits, attest services that are required by statute or regulation, consultations regarding financial reporting and accounting standards, including the Company's transition to IFRS, and translation services.

"Tax Fees" include the aggregate fees billed by Deloitte & Touche LLP for tax compliance, tax advice, tax planning and advisory services relating to the preparation of corporate tax, capital tax and sales tax returns.

"All Other Fees" include the aggregate fees billed by Deloitte & Touche LLP for all services other than those reported under Audit Fees, Audit Related Fees and Tax Fees.

ITEM 15 - ADDITIONAL INFORMATION

Additional information, including disclosure of the Company's corporate governance practices, remuneration and indebtedness to the Company of the directors and officers, principal holders of Saputo's securities, and securities authorized for issuance under the equity compensation plan, where applicable, is included in Saputo's Management Proxy Circular dated June 5, 2012 and may be found on SEDAR at www.sedar.com. Additional financial information is included in the

Consolidated Financial Statements of Saputo and Notes thereto and in the accompanying Management's Discussion and Analysis for the fiscal year ended March 31, 2012 and may be found on SEDAR at www.sedar.com. Copies of these documents may be obtained upon request to the Secretary of the Company, at its head office, 6869 Métropolitain Boulevard East, Saint-Léonard, Québec, H1P 1X8, Telephone: 514.328.6662.

* * *

APPENDIX “A”

AUDIT COMMITTEE MANDATE

1. AUTHORITY

The audit committee (the “Committee”) is a standing committee of the board of directors (the “Board”), which has the responsibilities described under the heading “Responsibilities”. The Committee reports to the Board.

The Committee has free access to the personnel and documents of Saputo Inc. (the “Company”) and its affiliates, and is granted the resources necessary to carry out its duties.

2. STRUCTURE

- 2.1. The Committee is made up of a minimum of three directors of the Company, each being independent and financially literate, except to the extent permitted by the requirements concerning the Committee as per applicable securities legislation. The terms “independent” and “financially literate” each have the meaning respectively provided under the requirements concerning the Committee as per the applicable securities legislation.
- 2.2. The mandate of the members is for one year and may be renewed. The members are appointed by the Board at the first meeting following the annual meeting of shareholders, or at any other meeting to fill a vacancy. The Board may dismiss or replace a member at any time.
- 2.3. The chairman is appointed by the Board for a one-year term, which may be renewed. In the absence or failure of the chairman to sit, the chair is filled by a member chosen by the Committee.
- 2.4. The Committee meets at least four times annually. The Chairman of the Board, the Lead Director, the members of the Committee, the external auditors or the person responsible for internal audit may call special meetings as needed. The Committee determines the place, date and time of its meetings. The meetings may be held by telephone or by any other means allowing the members to communicate with each other. The Committee periodically meets *in camera*.
- 2.5. The quorum for meetings of the Committee is a majority of the members and decisions are made by the majority of the votes cast by the members present.
- 2.6. Minutes of meetings of the Committee are taken by the secretary of the Board (or any other person designated by the Committee) and must give an exact account of the decisions made at the meetings. The minutes of the Committee meetings are presented to and filed with the Board. The president of the Committee presents a verbal report at the following Board meeting.
- 2.7. In addition to the members of the Committee, any other person may be called before the meetings

at the request of the chairman of the Committee.

- 2.8. The Committee has the power to retain, at the cost of the Company, independent legal counsels or other advisors it considers necessary to carry out its mandate and to fix their compensation.
- 2.9. The Committee has the power to communicate directly with the external auditors and the internal auditor of the Company and its accounting personnel and members of its management. For the purpose of its duties, the Committee may examine the pertinent books and accounts of the Company and its affiliates.
- 2.10. The external auditors report and account directly to the Committee.

3. **RESPONSIBILITIES**

3.1 Financial Disclosure

- Review the unaudited interim financial reports and audited annual financial statements accompanied by the external auditors' report, management's discussion and analysis and press releases regarding the financial results before their public release and recommend their approval to the Board. This review includes discussions with management regarding the interim financial reports and with management and the external auditors regarding the annual financial statements and material questions concerning the accounting principles and practices of the Company.
- Review the content of all public documents disclosing financial information, audited or unaudited, including all prospectuses, the management proxy circular, annual information form and annual report of the Company before their public release and recommend their approval to the Board.
- Review and monitor practices and procedures relating to the certifications by the Chief Executive Officer and the Chief Financial Officer with respect to financial disclosures and internal controls and procedures over financial reporting to ensure compliance with applicable securities legislation.
- Review and discuss with management and the external auditors the appropriateness and disclosure of the accounting principles and practices, the underlying assumptions and the reporting practices of the Company, and the appropriateness of any significant changes thereto or any proposed material change, and ensure they are appropriate and in compliance with the applicable legislation.
- Review, examine and discuss the foreseeable repercussions of any new audit and accounting standards or new securities rules with management and the external auditors.
- Review, at least annually, the dividends policy and recommend the approval by the Board of all payments of dividends, if any.
- Review the financial statements of the pension plans of the Company.

3.2 Risk Management and Internal Control

- Periodically review, evaluate and discuss with management the risk factors inherent to the Company (in particular, financial, strategic and operational risks) and ensure that appropriate measures are in place to enable management to identify and manage them effectively.
- Oversee the application and respect of the environmental policy of the Company and make periodical reports to the Board with respect thereto.
- Oversee the application and respect of the food safety and quality policy of the Company and make periodical reports to the Board with respect thereto.
- Periodically monitor the presence and the effectiveness of the necessary internal control systems of the Company through reports prepared by management, the internal auditor and the external auditors, which reports would also identify weaknesses or would make recommendations in respect of controls that could have a material impact on the financial information of the Company, as well as the measures implemented to remedy the situation and ensure proper follow-up.
- Periodically evaluate and assess the adequacy of the procedures set up by the Company to communicate publicly its financial information taken or derived from its financial statements.
- Establish and maintain a policy concerning the disclosure of material information.
- Review the report of the management on transactions with related parties.
- Review any legal matters (including litigation proceedings and claims) that could have a material effect on the financial statements or on the affairs of the Company and ensure that they are appropriately disclosed in the financial statements.
- Ensure that the annual information form and the proxy circular include the required and mandatory information concerning the Committee.
- Review communications with the Autorité des marchés financiers or any other regulatory authority regarding the financial statements and continuous disclosure documents.
- Establish and maintain procedures regarding:
 - the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters;
 - the confidential and anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

- Review the delegation of authority and oversee its application.

3.3 Internal Auditors

- Oversee and control the internal audit function.
- Review and approve annually the internal audit plan prepared by the person responsible for internal audit.
- Review annually the reports, observations and recommendations of the internal auditor intended for the Committee, as well as the implementation of the recommendations.
- Review the adequacy of the resources attributed to the internal audit department in order to fulfill its mandate and responsibilities.
- Meet periodically with the person responsible for internal audit, with and without the presence of management. During private meetings, discuss, among other things, the level of cooperation received from management and any unresolved differences of opinion, if any, risks and control systems in place.
- Evaluate the performance of the internal audit function at least once per year.

3.4 External Auditors

- Oversee the work of the external auditors retained to prepare or issue the auditors' report or render other audit, examination or certification services to the Company and resolve disagreements, if any, between management and the external auditors regarding financial reporting.
- Recommend to the Board the appointment of external auditors for the upcoming fiscal year and the fees to be paid to them.
- Review, discuss with the external auditors and adopt annually the audit plan prepared by the external auditors, determine whether it meets the needs of the Company and, at least once per year, obtain an official written declaration from the external auditors attesting to their independence.
- Review and evaluate, at least once per year, the qualifications, independence and performance of the external auditors and make appropriate recommendations to the Board.
- Review the external auditors' letters of recommendations to management, management's reply thereto and the implementation of the recommendations.
- Adopt and maintain a policy concerning the prior approval of all services not related to the audit which the external auditors of the Company may render to the Company and its subsidiaries in accordance with applicable legislation, as well as the fees for such services, and ensure the enforcement of and compliance with such policy.

- Examine and approve the hiring policy of the Company with respect to former or current partners and employees of current and former external auditors of the Company, and ensure the enforcement of and compliance with such policy.
- Meet with the external auditors, with and without the presence of management, in regard to the audited financial statements and discuss with them the results of the audit, as well as the assessment of the control systems in place and their recommendations, and any other material matter relating to the audit, including the level of cooperation received from management and any material differences in opinion between the external auditors and management that occurred during the course of the audit.
- Ensure that there is a rotation of audit partners, lead and concurring partner and other audit partners as per the Canadian guidelines on governance.
- Review any other issue which the Board, in the opinion of the external auditors, should be informed about and report thereon to the Board.

3.5 Evaluation of the Committee

- Annually assess the accomplishments and performance of the Committee.
- Annually review the mandate of the Committee.

3.6 Other Responsibilities

- Carry out any other duty related to the performance of its mandate, including, in particular, any investigations about matters related to its mandate.
- Carry out any other mandate which the Board may entrust to it from time to time.
- Act as a channel of communication between management, the internal auditor, the external auditors and the Board.