

# Annual Information Form

June 6, 2019

*Saputo*

## TABLE OF CONTENTS

	<u>Page</u>
<b>CAUTION REGARDING FORWARD-LOOKING STATEMENTS .....</b>	<b>4</b>
<b>ITEM 1 – THE COMPANY .....</b>	<b>5</b>
1.1 INCORPORATION .....	5
1.2 CORPORATE STRUCTURE .....	6
<b>ITEM 2 – GENERAL DEVELOPMENT OF THE BUSINESS .....</b>	<b>6</b>
2.1 OVERVIEW.....	6
2.2 HISTORY (INCLUDING ACQUISITIONS).....	7
<b>ITEM 3 – INDUSTRY OVERVIEW .....</b>	<b>9</b>
3.1 REGULATORY ENVIRONMENT .....	9
3.2 MILK SUPPLY .....	10
3.3 MARKETS.....	11
3.4 INTERNATIONAL TRADE.....	11
3.4.1 Imports .....	11
3.4.2 Exports.....	11
3.4.3 Comprehensive and Progressive Agreement for Trans-Pacific Partnership .....	11
3.4.4 United States-Mexico-Canada Agreement.....	12
3.5 PROCESSING AND TRADE .....	12
<b>ITEM 4 – DESCRIPTION OF THE BUSINESS .....</b>	<b>13</b>
4.1 OVERVIEW.....	13
4.2 CANADA SECTOR.....	15
4.2.1 Products .....	15
4.2.2 Production.....	15
4.2.3 Markets .....	16
4.2.4 Distribution .....	16
4.2.5 Competition .....	16
4.2.6 Employee Relations .....	16
4.3 USA SECTOR .....	17
4.3.1 Products.....	17
4.3.2 Production.....	17
4.3.3 Markets .....	17
4.3.4 Distribution .....	18
4.3.5 Competition .....	18
4.3.6 Employee Relations .....	18
4.4 INTERNATIONAL SECTOR .....	19
4.4.1 Products.....	19
4.4.2 Production.....	19
4.4.3 Markets .....	19
4.4.4 Distribution .....	20
4.4.5 Competition .....	20
4.4.6 Employee Relations .....	20
4.5 ACQUISITION OF DAIRY CREST .....	21
4.6 CAPITAL EXPENDITURES .....	21
4.7 ENVIRONMENT.....	23

4.8	INTELLECTUAL PROPERTY .....	24
4.9	RISKS AND UNCERTAINTIES .....	24
<b>ITEM 5 – DIVIDEND POLICY .....</b>		<b>25</b>
<b>ITEM 6 – CAPITAL STRUCTURE AND MARKET FOR SECURITIES.....</b>		<b>25</b>
6.1	SHARE CAPITAL.....	25
6.1.1	Share Capital Description .....	25
6.1.2	Share Trading Price and Volume.....	26
6.2	MEDIUM TERM NOTES .....	26
6.3	CREDIT RATINGS.....	27
<b>ITEM 7 – DIRECTORS AND OFFICERS.....</b>		<b>29</b>
7.1	DIRECTORS.....	29
7.2	EXECUTIVE OFFICERS .....	30
<b>ITEM 8 – LEGAL PROCEEDINGS .....</b>		<b>31</b>
<b>ITEM 9 – INTEREST OF MANAGEMENT AND OTHERS IN TRANSACTIONS.....</b>		<b>31</b>
<b>ITEM 10 – EXPERTS.....</b>		<b>31</b>
<b>ITEM 11 – TRANSFER AGENT AND REGISTRAR.....</b>		<b>31</b>
<b>ITEM 12 – MATERIAL CONTRACTS.....</b>		<b>31</b>
<b>ITEM 13 – AUDIT COMMITTEE INFORMATION.....</b>		<b>32</b>
13.1	AUDIT COMMITTEE’S MANDATE .....	32
13.2	COMPOSITION AND RELEVANT EDUCATION AND EXPERIENCE.....	32
13.3	POLICIES AND PROCEDURES REGARDING THE SERVICES RENDERED BY THE EXTERNAL AUDITORS	33
13.4	EXTERNAL AUDITORS’ FEES (BY CATEGORY).....	33
<b>ITEM 14 – ADDITIONAL INFORMATION .....</b>		<b>34</b>
<b>APPENDIX “A” .....</b>		<b>35</b>

## CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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This Annual Information Form contains statements which are forward-looking statements within the meaning of applicable securities laws. These forward-looking statements include, among others, statements with respect to the Company's objectives, outlook, business projects and strategies to achieve those objectives, statements with respect to the Company's beliefs, plans and expectations, and statements other than historical facts. 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 or future tense or words and expressions of similar nature, are intended to identify forward-looking statements. All statements other than statements of historical facts included in this Annual Information Form may constitute forward-looking statements within the meaning of applicable securities laws.

These statements are based, among other things, on Saputo's assumptions, expectations, estimates, objectives, plans, business strategy and intentions as of the date hereof regarding the 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. Such forward-looking statements are intended to provide shareholders with information regarding the Company, including its assessment of future financial plans, and may not be appropriate for other purposes.

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, and the Company warns readers that these forward-looking statements are not fact or guarantees of future performance in any way. 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 Company's Management's Discussion and Analysis dated June 6, 2019, available on SEDAR under the Company's profile at [www.sedar.com](http://www.sedar.com).

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. Undue importance should not be placed on forward-looking statements, and the information contained in such forward-looking statements should not be relied upon 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 itself or on its behalf, whether as a result of new information, future events or otherwise.

## ITEM 1 - THE COMPANY

### 1.1 INCORPORATION

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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. The Certificate was further amended on August 3, 2000, to, among other things, enable the directors to appoint additional directors between shareholders' meetings and on August 1, 2017, to delete the preferred shares from the share capital of the Company. The head and registered office and principal place of business of the Company is located at 6869 Métropolitain Boulevard East, Montréal, 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 30, 2001, December 21, 2007 and September 29, 2014, Saputo paid a 100% stock dividend on its common shares (the "**Common Shares**"), which, in each case, 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, prices of Common Shares and dividends paid per Common Share made herein reflect the Stock Splits. Readers should take into consideration the effect of the Stock Splits when consulting the Company's public disclosure record for periods prior to the Stock Splits.

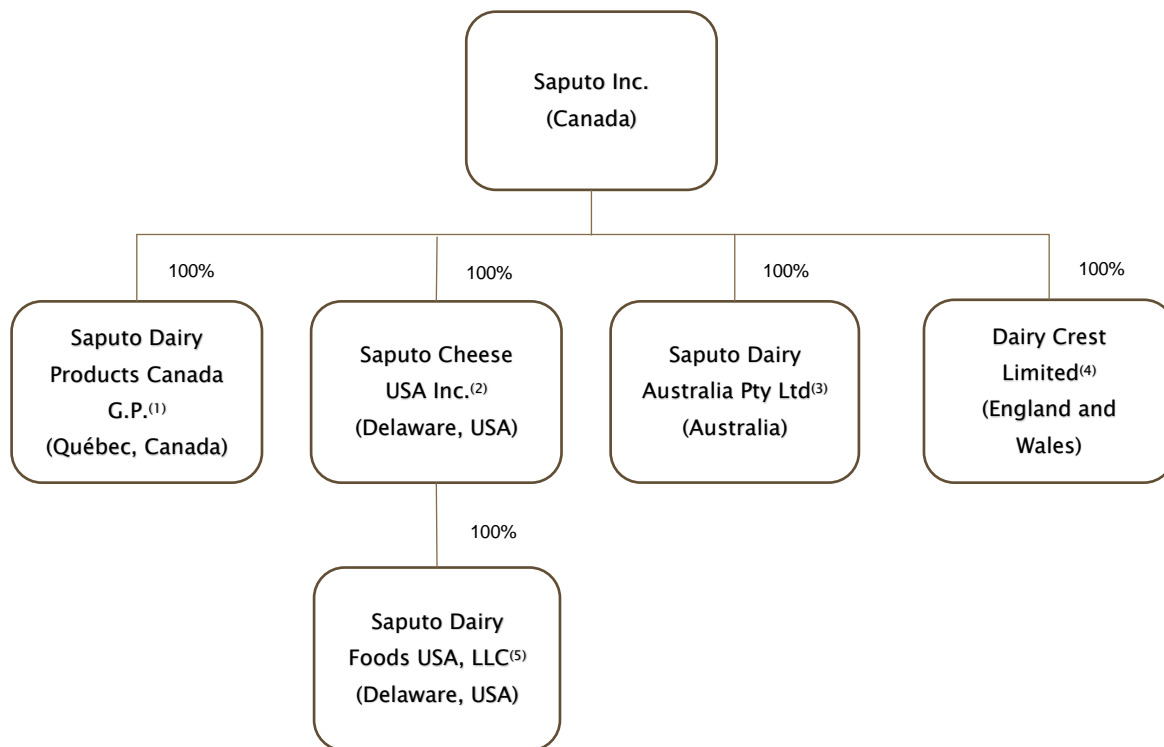
In this Annual Information Form, all references to "\$" or "CDN dollars" are to Canadian currency, all references to "US\$" are to United States currency, all references to "£" are to United Kingdom currency and all references to "AU\$" are to Australian currency.

The information in this Annual Information Form is being presented as of May 28, 2019, except for financial information, which is given for the fiscal year ended March 31, 2019, and for the information relating to employees, which is presented as of March 31, 2019. Except as otherwise specified, this Annual Information Form does not include information relating to the acquisition of Dairy Crest Group plc ("**Dairy Crest**") completed on April 15, 2019 (the "**Dairy Crest Acquisition**").

## 1.2 CORPORATE STRUCTURE

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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 variety of cheese, fluid milk, cream products, butter, dairy beverages, dairy ingredients, yogurt, sour cream, cottage cheese, soft serve dairy mixes and other food products.
- (2) Production, sale and distribution of dairy products, namely cheese and dairy ingredients.
- (3) Production, sale and distribution of dairy products, including fluid milk, milk powder, cheese, butter and butter blends, cream products, dairy beverages, dairy ingredients and nutritional products, such as infant formula.
- (4) Production, sale and distribution of dairy foods, namely cheese, butter and dairy spreads, as well as dairy ingredients and oils.
- (5) Production, sale and distribution of dairy and non-dairy extended shelf-life products, including cream and creamers, ice cream mixes, half and half and value-added milks, as well as cultured products, such as sour cream and cottage cheese.

## ITEM 2 – GENERAL DEVELOPMENT OF THE BUSINESS

### 2.1 OVERVIEW

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Saputo is one of the top ten dairy processors in the world, a leading cheese manufacturer and fluid milk and cream processor in Canada, the top dairy processor in Australia and the second largest in Argentina. In the USA, Saputo ranks among the top three cheese producers and is one of the largest producers of extended shelf-life and cultured dairy products. In the United Kingdom, Saputo is the largest manufacturer of branded cheese and a top manufacturer of dairy spreads.

During fiscal 2019, the Company operated its business through three sectors, the Canada Sector, the USA Sector and the International Sector, which represented, respectively, 29.9%, 48.2% and 21.9% of the Company's total revenues.

The Company currently operates 65 manufacturing facilities (including 5 operating manufacturing facilities acquired through the Dairy Crest Acquisition) and, as at March 31, 2019, employed approximately 15,700 employees (approximately 16,800 employees including Dairy Crest's employees as at April 15, 2019) and sells its products in more than 50 countries.

## 2.2 HISTORY (INCLUDING ACQUISITIONS)

Mr. Emanuele (Lino) 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.

On October 15, 1997, the Company completed its initial public offering of 75,764,000 Common Shares at \$2.125 per share.

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 an important international dairy processor.

Historical Acquisitions Completed by Saputo					
Acquisition Dates	Acquired Companies	Acquired Activities	Countries of Operations	Acquisition Price (Approximation) <sup>(1)</sup>	Annual Revenues (Approximation) <sup>(2)</sup>
October 15, 1997 to March 31, 2014	Various companies (22)	Manufacturing, selling and distribution of dairy products (cheese, fluid milk, dairy beverages, cream products, butter and ingredients), dairy and non-dairy extended shelf life products, juices and drinks and snack-cakes. <sup>(3) (4)</sup>	Canada, USA, Australia and Argentina	\$4.76 billion	\$7.75 billion
April 14, 2014	Fluid milk activities of Scotsburn Co-Operative Services Limited	Manufacturing, selling and distribution of mostly fluid milk and cream products in Atlantic Canada.	Canada	\$61 million	\$160 million

Historical Acquisitions Completed by Saputo					
Acquisition Dates	Acquired Companies	Acquired Activities	Countries of Operations	Acquisition Price (Approximation) <sup>(1)</sup>	Annual Revenues (Approximation) <sup>(2)</sup>
May 25, 2015	Everyday cheese business of Lion-Dairy & Drinks Pty Ltd	Cutting and wrapping, distribution, sales and marketing of everyday cheese (such as cheddar and parmesan).	Australia	\$134 million	\$156 million
October 5, 2015	Companies forming Woolwich Dairy	Manufacturing, selling and distribution of goat cheese.	Canada and USA	\$80 million	\$70 million
September 29, 2017	Extended shelf-life dairy product activities of Southeast Milk, Inc.	Manufacturing, selling and distribution of extended shelf-life dairy products.	USA	\$64 million	\$59 million
December 12, 2017	Betin, Inc., doing business as Montchevre	Manufacturing, marketing and distribution of goat cheese.	USA	\$341 million	\$150 million
May 1, 2018	Business of Murray Goulburn Co-Operative Co. Limited (“MG”) <sup>(5)</sup>	Manufacturing, selling and distribution of dairy foods, including fluid milk, milk powder, cheese, butter and dairy beverages, as well as a range of dairy ingredient and nutritional products, such as infant formula.	Australia	\$1.29 billion	\$2.5 billion
June 19, 2018	Activities of Shepherd Gourmet Dairy (Ontario) Inc.	Manufacturing, marketing and distribution of specialty cheeses, yogurt and Skyr Icelandic-style yogurt.	Canada	\$100 million	\$57 million



Historical Acquisitions Completed by Saputo					
Acquisition Dates	Acquired Companies	Acquired Activities	Countries of Operations	Acquisition Price (Approximation) <sup>(1)</sup>	Annual Revenues (Approximation) <sup>(2)</sup>
November 30, 2018	Activities of F&A Dairy Products, Inc.	Manufacturing, marketing and distribution of natural cheeses (such as mozzarella and provolone).	USA	\$113 million	\$216 million
April 15, 2019	Dairy Crest Group plc <sup>(6)</sup>	Manufacturing, marketing and distribution of cheese, butter, spreads, dairy ingredients and oils.	United Kingdom	\$1.7 billion	\$796 million

- (1) Canadian equivalent of the acquisition price, taking into account the exchange rate on the date of completion of the acquisition.
- (2) Annual revenues for the last completed fiscal year prior to completion of the acquisition.
- (3) The Company sold its Bakery Division, which manufactured, sold and distributed snack-cakes, in fiscal 2015.
- (4) The Company acquired 87.92% of the issued shares of Warrnambool Cheese & Butter Factory Company Holdings Limited ("**Warrnambool Cheese & Butter**") for \$450 million on January 21, 2014, plus the assumption of debt. Following a takeover bid announced on January 30, 2017, and subsequent to a compulsory acquisition process, the Company acquired all remaining shares of Warrnambool Cheese & Butter on March 31, 2017, for approximately \$84 million.
- (5) On August 17, 2018, the Company completed the sale of the Koroit plant for a selling price of approximately \$244 million (approximately AU\$250 million). This divestiture was required pursuant to the undertaking entered into with the Australian Competition and Consumer Commission in connection with the acquisition of the activities of MG.
- (6) The Company completed the acquisition of Dairy Crest Group plc for a total consideration of approximately \$2.1 billion (£1.2 billion), which includes a purchase price of approximately \$1.7 billion (£975 million) for the entire issued ordinary share capital paid in cash, and approximately \$445 million (£256 million) of assumed debt. For further details on Dairy Crest, see section entitled "Acquisition of Dairy Crest".

## ITEM 3 – INDUSTRY OVERVIEW

### 3.1 REGULATORY ENVIRONMENT

The Company's production facilities are subject to laws and regulations at various government levels, including federal, state/provincial and municipal. These laws and regulations relate to the whole spectrum of food and beverage production, starting from reception of raw materials and ingredients to finished products, and cover matters such as product safety, quality, processing, content, composition, labelling, packaging and storage. They also cover matters relating to product logistics and distribution in respect of products manufactured by the Company and products manufactured by third parties that are handled by the Company. The Company also adheres to generally accepted norms and standards within the dairy processing industry. The Company's production facilities are subject to plant inspections by government authorities in order to ensure compliance with applicable laws and regulations.

## 3.2 MILK SUPPLY

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In Canada, the dairy industry operates under a national milk supply management system. The objective of this system is to ensure that the overall supply of dairy products to the Canadian market is sufficient to meet consumer demand. This objective is met by regulating domestic milk production used for manufacturing dairy products in Canada.

Canadian milk production is allocated to processors based on provincial allocation rules for fluid milk products (i.e., milk used to manufacture fluid milk products, such as table milk or cream intended for consumption in fluid forms) and industrial milk products (i.e., milk used to manufacture all other dairy products, known as industrial dairy products, such as cheese, butter, ice cream and yogurt). Fluid milk is available to processors “on demand”, such that, subject to available supply, processors are free to order as much milk as they need to meet their fluid milk product requirements. The volume of industrial milk available for processing industrial dairy products is generally restricted in its growth. Notwithstanding the ongoing review of industrial milk allocation policies by the Canadian Dairy Commission and the various provincial milk marketing boards, Management believes that the risk of a processor losing a significant part of its currently available industrial milk allocation remains low. The price paid by processors for milk in Canada is regulated and depends on the class of dairy products manufactured.

In the USA, milk pricing involves a wide variety of regulations based on public policy decisions. Some of these regulations include milk price supports, federal milk marketing orders, import restrictions, domestic and international food aid programs and state-level milk marketing programs. Generally, milk pricing is regulated by milk marketing orders under federal jurisdiction. California, which used to operate and regulate its own marketing order, implemented the Federal Milk Marketing Order on November 1, 2018.

In most cases, milk marketed to processors within the USA is priced according to its use based on a class pricing structure. Under federal jurisdiction, minimum milk prices are set monthly by 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 the Agricultural Marketing Service of the United States Department of Agriculture.

USA 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 that reflects the current month’s milk class price plus a negotiated handling charge.

In Australia, Argentina and the United Kingdom, milk prices are negotiated between processors and producers. There are no limitations or restrictions as to the volume of milk that is produced and processed, nor is milk sold to processors within Australia, Argentina and the United Kingdom priced or classified according to its use. Moreover, processors are not limited regarding the volume of milk that they can purchase and are free to negotiate milk supply agreements with whomever they choose. The price of milk in Australia, in Argentina and in the United Kingdom has a strong correlation to the world price of traded dairy products.

### 3.3 MARKETS

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Market forces determine the prices at which the Company sells its products, generally as a result of negotiations between Saputo and its customers. Generally, the pricing of products sold to customers is either fixed or based on trading prices on certain commodities exchanges.

### 3.4 INTERNATIONAL TRADE

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#### 3.4.1 IMPORTS

Under the World Trade Organization (“WTO”) Agreement on Agriculture, Canada and the USA are restricted regarding imports of dairy products. Imports within yearly access commitments are subject to low tariff rates, while imports over yearly access commitments are subject to prohibitively high tariff rates. Neither Australia, Argentina nor the United Kingdom are subject to similar import restrictions on foreign manufactured dairy products. In October 2016, the Canadian Government signed the final text of the Comprehensive Economic Trade Agreement (“CETA”) with the European Union (“EU”), which subsequently entered into force on September 21, 2017. Under CETA, access for EU cheeses imported into Canada will increase from approximately 13,500 tonnes to 32,000 tonnes over six years.

#### 3.4.2 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 only permitted to export milk products over its WTO commitments at prices based on Canada’s raw milk prices. In addition, as part of the “Nairobi Package”, which was adopted at the WTO’s Ministerial Conference in December 2015, the federal government of Canada has agreed to eliminate all subsidized dairy exports by the end of 2020. The Canadian dairy industry has undertaken to adapt the Canadian milk supply management system to ensure that dairy product exports will be permitted to continue beyond December 31, 2020. Neither the USA, Australia, Argentina nor the United Kingdom impose export restrictions on dairy products destined to international markets.

#### 3.4.3 COMPREHENSIVE AND PROGRESSIVE AGREEMENT FOR TRANS-PACIFIC PARTNERSHIP

On March 8, 2018, Canada, along with 10 other countries, signed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (“CPTPP”). The CPTPP entered into force on December 30, 2018, for the first six countries to ratify the CPTPP, which included Canada, Australia, Japan, Mexico, New Zealand and Singapore. Upon its entering into force, new access to the Canadian market was granted for a wide range of dairy products originating from other signatory countries that have ratified the CPTPP.

In November 2018, the Government of Canada announced that it would allocate, on an interim basis, a significant portion of the CPTPP dairy import licences (tariff rate quotas) to dairy processors in Canada.

### 3.4.4 UNITED STATES–MEXICO–CANADA AGREEMENT

The United States–Mexico–Canada Agreement (“**USMCA**”), previously known as the North American Free Trade Agreement, was signed on November 30, 2018, by the governments of Canada, the USA and Mexico. Upon its entering into force, the USMCA will provide additional access to the Canadian market for a wide range of dairy products and will require the Canadian government to adhere to certain pricing and export provisions for dairy ingredients. Until the USMCA is ratified and implemented by all parties, the North American Free Trade Agreement will remain in force.

## 3.5 PROCESSING AND TRADE

The International Dairy Federation reports and analyzes information about the international dairy sector, including global production and export. The information in the following tables was taken from the Bulletin of the International Dairy Federation 494/2018 and offers a general comparative view of production and export volumes in the countries where Saputo has production facilities.

Volume (x 1 000 metric tonnes)	Production <sup>(1)</sup>				
	Canada	USA	Australia	Argentina	United Kingdom
Liquid Milk	2,500 <sup>(2)</sup>	21,800	2,493	1,495	6,852 <sup>(6)</sup>
Fermented Products	398	2,031 <sup>(4)</sup>	–	415 <sup>(4)</sup>	476
Cream	411	629 <sup>(5)</sup>	–	46	298
Butter and Butteroil	109 <sup>(3)</sup>	838 <sup>(3)</sup>	72	28	144
Cheese	427	5,742	360	578	419
Whole Milk Powder	–	56	82	144	20 <sup>(7)</sup>
Skim Milk Powder	109	1,078	191	50	92 <sup>(7)</sup>

(1) Volumes are indicated for calendar year 2017, except for Australia which are based on the 12-month period beginning July 2017 and ending June 2018.

(2) Including chocolate milk and eggnog.

(3) Production of butter only.

(4) Production of yogurt only.

(5) Production of sour cream.

(6) Consumer packaged goods.

(7) Production estimated.

Export <sup>(1)</sup>					
Volume (x 1 000 metric tonnes)	Canada	USA	Australia	Argentina	United Kingdom
Liquid Milk	9 <sup>(2)</sup>	76	200	2	66 <sup>(6)</sup>
Fermented Products	10	32 <sup>(4)</sup>	11	2 <sup>(4)</sup>	52
Cream	–	32 <sup>(5)</sup>	9	–	7
Butter and Butteroil	1 <sup>(3)</sup>	30 <sup>(3)</sup>	16	4	58
Cheese	13	341	172	44	168
Whole Milk Powder	1	27	55	71	59 <sup>(7)</sup>
Skim Milk Powder	72	606	158	20	55 <sup>(7)</sup>

(1) Volumes are indicated for calendar year 2017, except for Australia which are based on the 12-month period beginning July 2017 and ending June 2018.

(2) Including chocolate milk and eggnog.

(3) Production of butter only.

(4) Production of yogurt only.

(5) Production of sour cream.

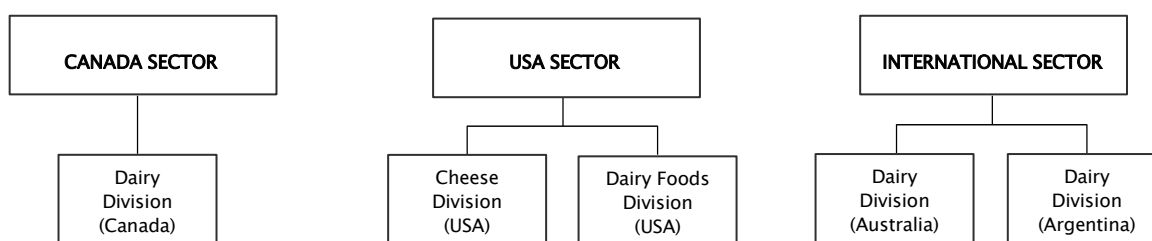
(6) Consumer packaged goods.

(7) Production estimated.

## ITEM 4 – DESCRIPTION OF THE BUSINESS

### 4.1 OVERVIEW

During fiscal 2019, the Company operated its business through three sectors and five divisions. As a result of the Dairy Crest Acquisition, the Company intends to present, in fiscal 2020, the financial results of Dairy Crest as part of a Dairy Division (UK) in a new Europe Sector.



The Company currently operates 65 manufacturing facilities (including 5 operating manufacturing facilities acquired through the Dairy Crest Acquisition completed on April 15, 2019) and, as at March 31, 2019, employed approximately 15,700 employees (approximately 16,800 employees including Dairy Crest's employees as at April 15, 2019).

Saputo sells its products under well-known brands, such as *Saputo, Alexis de Portneuf, Armstrong, Cathedral City, Clover, COON, Cracker Barrel\*, Dairyland, DairyStar, Devondale, Friendship Dairies, Frigo Cheese Heads, Joyya, La Paulina, Liddells, Milk2Go/Lait's Go, Montchevre, Murray Goulburn Ingredients, Neilson, Nutrilait, Scotsburn\*, Stella, Sungold, Treasure Cave and Woolwich Goat Dairy.*

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

(in millions of CDN dollars)	Revenues by Sector			
	Year ended March 31, 2019		Year ended March 31, 2018	
	Revenues (\$)	% of Total Revenues	Revenues (\$)	% of Total Revenues
Canada Sector	4,043.1	29.9	4,069.9	35.3
USA Sector	6,507.7	48.2	6,132.8	53.1
International Sector	2,951.1	21.9	1,339.8	11.6
Total	13,501.9	100.0	11,542.5	100.0

The following table presents total Company revenues by market segmentation over the last two fiscal years:

(in millions of CDN dollars)	Total Company Revenues - Market Segmentation			
	Year ended March 31, 2019		Year ended March 31, 2018	
	Revenues (\$)	% of Total Revenues	Revenues (\$)	% of Total Revenues
Retail	6,342.3	47.0	5,688.1	49.3
Foodservice	4,794.7	35.5	4,481.9	38.8
Industrial	2,364.9	17.5	1,372.5	11.9
Total	13,501.9	100.0	11,542.5	100.0

*Retail.* Saputo sells both its own branded products and products under customer brand names to its retail customers, which include supermarket chains, mass-merchandisers, convenience stores, independent retailers, warehouse clubs and specialty cheese boutiques.

*Foodservice.* Foodservice customers include broadline distributors, restaurants (corporate restaurant chains, franchisees and individually-owned), hotels and institutions. Saputo provides its foodservice customers with its own branded products and products under customer brand names.

\* Trademark used under license.

*Industrial.* Industrial clients include manufacturers and processors who use the Company's products as ingredients in the preparation of other food items, as well as in the preparation of nutritional products.

## 4.2 CANADA SECTOR

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The Canada Sector consists of the Dairy Division (Canada). In fiscal 2019, the Canada Sector represented 29.9% of the Company's total revenues.

### 4.2.1 PRODUCTS

Through its Dairy Division (Canada), Saputo produces, markets and distributes in Canada a variety of cheeses, including mozzarella and cheddar, specialty cheeses, such as ricotta, provolone, parmesan, goat cheese, feta and havarti, fine cheeses, such as brie and camembert, and other cheeses, including brick, colby, farmer, munster, monterey jack, 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*, *Chevrai*, *Cogruet*, *DuVillage 1860*, *Kingsey*, *Joyya*, *Shepherd Gourmet Dairy*, *Stella* and *Woolwich Goat Dairy*, as well as under customer brand names. Through the Company's cheese distribution network, Saputo distributes fine imported cheeses to specialty stores, as well as certain dairy and non-dairy products manufactured by third parties. Furthermore, Saputo produces, markets and distributes in Canada and on the international market a number of dairy ingredients, including milk powder, whey powder, lactose and whey protein concentrates.

Saputo also produces, markets and distributes in Canada fluid milk, cream, yogurt, sour cream, cottage cheese, as well as ice cream mixes. Fluid milk is sold under the *Dairyland* brand in Western Canada, the *Neilson* brand in Ontario, the *Nutrilaite* brand in Québec and the *Baxter* and *Scotsburn*\* brands in Atlantic Canada. Value-added milk is marketed under the *Trutaste* brand, as well as under the brand names *Milk2Go/Lait's Go* and *Joyya*. In addition, within its fluid milk operations, Saputo also produces, markets and distributes certain other dairy and non-dairy products. Other dairy products include butter under the *Dairyland*, *Neilson*, *Saputo*, *Baxter* and *Scotsburn*\* brand names, flavoured cream under the *Baileys*\* brand and dips under the *Heluva Good*\* brand. Non-dairy products include flavoured coffee whitener under the *International Delight*\* brand.

### 4.2.2 PRODUCTION

#### *Raw Materials*

In Canada, milk represents the primary cost incurred by the Company in the manufacturing of dairy products. Due to the regulated nature of the Canadian dairy industry, Saputo can only source its milk through the milk marketing boards in each province. The Company sources its other raw materials from various suppliers.

#### *Facilities*

The Company operates 21 manufacturing facilities located in Canada. The Company owns all of these facilities, with the exception of two facilities, and they have an overall excess capacity of 25%.

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\* Trademark used under license.

### 4.2.3 MARKETS

Saputo is a leading cheese manufacturer and fluid milk and cream processor in Canada. The Company also distributes fine imported cheeses to specialty stores and sells various dairy and non-dairy products manufactured by third parties that are complementary to the sale of its cheeses.

#### *Clientele*

The following table presents, for the Canada Sector, revenues by market segmentation for each of the last two fiscal years:

(in millions of CDN dollars)	Canada Sector – Revenues – Market Segmentation			
	Year ended March 31, 2019		Year ended March 31, 2018	
	Revenues (\$)	% of Total Revenues	Revenues (\$)	% of Total Revenues
Retail	2,432.1	60.1	2,514.0	61.8
Foodservice	1,413.3	35.0	1,372.0	33.7
Industrial	197.7	4.9	183.9	4.5
Total	<b>4,043.1</b>	<b>100.0</b>	<b>4,069.9</b>	<b>100.0</b>

### 4.2.4 DISTRIBUTION

Product distribution in Canada is made through direct shipments to certain 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 21 distribution centres and warehouses and 751 distribution routes located across Canada.

### 4.2.5 COMPETITION

The Dairy Division (Canada) competes mainly with multinational and national dairy processors. Saputo has established itself as a leading cheese manufacturer and fluid milk and cream processor in Canada.

### 4.2.6 EMPLOYEE RELATIONS

As at March 31, 2019, the Canada Sector had a total of approximately 5,600 employees, all located in Canada. Approximately 30% of the Canada 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 2020. All agreements that expired in fiscal 2019 were, or are expected to be, 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 in Canada. The loyalty and dedication of its employees are key elements in the Company's performance.



## 4.3 USA SECTOR

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The USA Sector includes the Cheese Division (USA) and the Dairy Foods Division (USA). In fiscal 2019, revenues from the USA Sector represented 48.2% of the Company's total revenues.

### 4.3.1 PRODUCTS

Through its Cheese Division (USA), Saputo produces, markets and distributes in the USA a variety of cheeses, including a broad line of mozzarella, American-style and specialty cheeses, such as ricotta, provolone, blue, parmesan, goat cheese and romano, which are sold under a variety of the Company's brand names, including *Black Creek*, *Chevrai*, *Dragone*, *Frigo Cheese Heads*, *Gardenia*, *Great Midwest*, *King's Choice*, *Lorraine*, *Lugano*, *Montchevre*, *Organic Creamery*, *Salemville*, *Saputo*, *Stella*, *Treasure Cave* and *Woolwich Goat Dairy* as well as under customer brand names. The Company also converts, markets and sells a broad range of specialty cheeses and, moreover, holds an important portfolio of import licences for specialty cheeses manufactured abroad. As well, Saputo produces, markets and distributes in the USA and on the international market dairy ingredients, including whey powder, whey protein concentrates, lactose and dairy ingredient blends.

Through its Dairy Foods Division (USA), the Company produces, markets and distributes in the USA a variety of dairy and non-dairy extended shelf-life products, including cream and creamers, ice cream mixes, whipping cream, aerosol whipped toppings, iced coffee, half and half and value-added milks, as well as cultured products, such as sour cream and cottage cheese. These products are manufactured under customer brand names, as well as under the Company's own brands, such as *DairyStar* and *Friendship Dairies*.

The product offerings and manufacturing and distribution footprints of the Cheese and Dairy Foods Divisions (USA) are complementary.

### 4.3.2 PRODUCTION

#### *Raw Materials*

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

#### *Facilities*

The Company operates 27 manufacturing facilities located in the USA. The Company owns all of these facilities, with the exception of two facilities, and they have an overall excess capacity of 12%.

### 4.3.3 MARKETS

In the USA, Saputo is among the top three cheese producers and among the largest processors of extended shelf-life and cultured dairy products. The Company competes in the USA natural cheese, extended shelf-life and cultured dairy products markets by selling its own branded products and products under customer brand names.

## Clientele

The following table presents, for the USA Sector, revenues by market segmentation for each of the last two fiscal years:

(in millions of CDN dollars)	USA Sector – Revenues – Market Segmentation			
	Year ended March 31, 2019		Year ended March 31, 2018	
	Revenues (\$)	% of Total Revenues	Revenues (\$)	% of Total Revenues
Retail	2,756.7	42.3	2,685.9	43.8
Foodservice	3,207.5	49.3	2,993.0	48.8
Industrial	543.5	8.4	453.9	7.4
Total	<b>6,507.7</b>	<b>100.0</b>	<b>6,132.8</b>	<b>100.0</b>

### 4.3.4 DISTRIBUTION

Sales in the USA are made through direct shipments to certain customers, as well as to national and regional third-party distributors.

### 4.3.5 COMPETITION

In the USA, the Company competes mainly with multinational and national dairy processors. Saputo has established itself in the USA among the top three cheese producers and among the largest processors of extended shelf-life and cultured dairy products.

### 4.3.6 EMPLOYEE RELATIONS

As at March 31, 2019, the Company's USA Sector had approximately 6,400 employees, all located in the USA. Approximately 27% of the USA 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 2020. All agreements that expired in fiscal 2019 were, or are expected to be, 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 in the USA. The loyalty and dedication of its employees are key elements in the Company's performance.

## 4.4 INTERNATIONAL SECTOR

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The International Sector includes the Dairy Division (Australia) and the Dairy Division (Argentina). In fiscal 2019, revenues from the International Sector represented 21.9% of the Company's total revenues.

### 4.4.1 PRODUCTS

Through its Dairy Division (Australia), Saputo produces, markets and distributes in Australia and on the international market a full range of dairy foods, including a variety of cheeses, butter and butter blends, milk, cream and dairy beverages. These products are sold under various brand names, such as *COON*, *Cracker Barrel\**, *Devondale*, *Fred Walker*, *Liddells*, *Mil LeI*, *Murray Goulburn Ingredients*, *Warrnambool*, *Sungold* and *Great Ocean Road*. The Company also produces, markets and distributes dairy ingredients and nutritional products, including milk powder, whey protein concentrates, lactoferrin and infant formula.

Through its Dairy Division (Argentina), Saputo produces, markets and distributes in Argentina and on the international market a variety of cheeses, as well as butter and cream. These products are sold under recognized brand names, such as *La Paulina*, *Molfino*, *Saputo*, *Stella* and *Ricrem*. The Company also produces, markets and distributes dairy ingredients, including milk powder, casein and whey protein.

### 4.4.2 PRODUCTION

#### *Raw Materials*

In Australia and Argentina, Saputo principally sources its milk requirements directly from producers. The Dairy Division (Australia) and the Dairy Division (Argentina) source their other raw materials from various suppliers.

#### *Facilities*

The Company operates, through its International Sector, 12 manufacturing facilities. The Company owns all of these facilities, with the exception of two facilities, and they have an overall excess capacity of 33%.

### 4.4.3 MARKETS

The Company is the top dairy processor in Australia. The sale of products manufactured by the Dairy Division (Australia) is well balanced between the national and international markets.

Saputo is the second largest dairy processor in Argentina. The sale of products manufactured by the Dairy Division (Argentina) is well balanced between the national and international markets.

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\* Trademark used under license.

## Clientele

The following table presents, for the International Sector, revenues by market segmentation for each of the last two fiscal years:

(in millions of CDN dollars)	International Sector – Revenues – Market Segmentation			
	Year ended March 31, 2019		Year ended March 31, 2018	
	Revenues (\$)	% of Total Revenues	Revenues (\$)	% of Total Revenues
Retail	1,153.5	39.1	488.2	36.5
Foodservice	173.9	5.9	116.9	8.7
Industrial	1,623.7	55.0	734.7	54.8
Total	2,951.1	100.0	1,339.8	100.0

### 4.4.4 DISTRIBUTION

In the countries where the Company has manufacturing facilities, Saputo distributes its products through third party distributors and by direct shipment to certain customers. With regard to the international market, the Company distributes its products by arranging for delivery to a port of entry using third-party carriers and, in certain cases, using the services of third party distributors located within the international market.

### 4.4.5 COMPETITION

The Company competes mainly with multinational and national dairy processors. The Company has established itself as the top dairy processor in Australia, and the second largest dairy processor in Argentina.

### 4.4.6 EMPLOYEE RELATIONS

As at March 31, 2019, the Company's International Sector had approximately 3,700 employees, of which approximately 2,700 were located in Australia and 1,000 in Argentina. Approximately 63% of the International 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 2020. All agreements that expired in fiscal 2019 were, or are expected to be, 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.

## 4.5 ACQUISITION OF DAIRY CREST

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On April 15, 2019, the Company completed the Dairy Crest Acquisition in the United Kingdom for a total consideration of approximately \$2.1 billion (£1.2 billion), which includes a purchase price of approximately \$1.7 billion (£975 million) for the entire issued ordinary share capital paid in cash, and approximately \$445 million (£256 million) of assumed debt. The purchase price was financed through funds drawn under a new bank term loan facility.

For the twelve-month period ended March 31, 2019, Dairy Crest had revenues of approximately \$827 million (approximately £480 million). Since the transaction is considered a “significant acquisition” for which disclosure is required under Part 8 of National Instrument 51-102 – *Continuous Disclosure Obligations* (“NI 51-102”), a Business Acquisition Report (in the form of NI 51-102 F4) will be filed by the Company.

In the United Kingdom, Dairy Crest is the largest manufacturer of branded cheese and a top manufacturer of dairy spreads. It manufactures and markets cheese, butter, spreads and oils under leading British brands, such as *Cathedral City*, *Clover*, *Country Life*, *Davidstow* and *Frylight*, and value-added dairy ingredients.

Dairy Crest’s sales are mainly in the retail market segment, and 97% of its sales are in the United Kingdom. Dairy Crest competes mainly with multinational and national dairy processors. It sources its milk requirements directly from producers and its other raw materials from various suppliers.

Dairy Crest employs approximately 1,100 people, some of which are unionized. It operates five manufacturing facilities and one innovation centre across the United Kingdom.

The Dairy Crest Acquisition enabled the Company to enter the UK market by acquiring and investing in a well-established and successful industry player, with a solid asset base and an experienced management team.

The Company intends to present, in fiscal 2020, the financial results of Dairy Crest as part of a Dairy Division (UK) in a new Europe Sector.

## 4.6 CAPITAL EXPENDITURES

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In fiscal 2019, the Company spent approximately \$306 million in property, plant and equipment (net of the proceeds of the sale of a facility in Canada), which includes an amount of \$60 million for equipment and intangibles related to its enterprise resource planning (“ERP”) system, and its depreciation and amortization expense totalled \$313 million. In fiscal 2020, the Company expects to incur approximately \$443 million in depreciation and amortization expenses.

The Company tends to spend on capital expenditures (including for strategic projects, such as plant capacity increases, capital expenditures necessary to build new infrastructure or for rationalization programs) to a level which is equivalent to its depreciation and amortization expense, without considering capital expenditure amounts for the Company’s ERP initiative.

The Company completed the second year of its three-year capital expenditure plan which started in fiscal 2018 and pursuant to which the Company had initially planned to allocate capital expenditure amounts of approximately \$150 million over the three-year period in excess of its depreciation and amortization expense to fund additional strategic projects, without taking into account the Company's ERP initiative. These strategic projects allow the Company to maintain its focus on modernizing its equipment and processes mainly in targeted facilities in Canada and in the USA, and in order to pursue organic growth, continue to meet demand and increase efficiency. Taking into account the anticipated capital expenditures to be spent for fiscal 2020, the Company expects to have spent, pursuant to the three-year capital expenditure plan, an aggregate amount of \$1.1 billion in capital expenditures for property, plant and equipment (net of the proceeds of the sale of a facility in Canada), being \$146 million over its depreciation and amortization expense for such period. Upon completion of the capital expenditure plan in fiscal 2020, the Company expects to continue spending for capital expenditures at a level equivalent to its depreciation and amortization expense.

The Company will continue planning, designing and implementing activities for the migration to the new ERP system, which has been implemented in Argentina, at Warrnambool Cheese and Butter in Australia and in the Dairy Foods Division (USA). During fiscal 2020, the Company plans to deploy its ERP program within Saputo Dairy Australia Pty Ltd., which will ensure that the Dairy Division (Australia) is aligned under a single system. The Cheese Division (USA) and Dairy Division (Canada) will proceed thereafter with their ERP implementations, which are expected to be completed in fiscal 2022.

As at March 31, 2019, the Company had invested, in the aggregate, approximately \$257 million in its ERP program and expects the cost of the implementation of its baseline ERP program to represent, in the aggregate, approximately \$290 million, an increase of \$40 million over the initial estimate. With recent acquisitions, the Company has increased the scope of its ERP program and the duration by approximately two years, increasing the expected total investment to approximately \$370 million. In light of the new deployment schedule and recent acquisitions, the Company's investments in its ERP program for fiscal 2020, which were expected to be \$22 million, are now expected to be approximately \$51 million, approximately \$37 million for fiscal 2021, and the remainder in fiscal 2022. The total investment and duration of the ERP program will vary in function of the Company's growth through acquisitions. However, Dairy Division (UK) is not currently in the scope of the Saputo global ERP program and its business will continue to be run under its existing ERP system.

The following table sets out the capital expenditures the Company incurred in fiscal 2018 and 2019, and expected to be incurred in fiscal 2020:

Capital Expenditures in Property, Plant and Equipment	Fiscal 2018	Fiscal 2019	Fiscal 2020
Base capital expenditures	168 million	238 million	256 million
Strategic projects	110 million	138 million	304 million
Net proceeds of the sale of a facility in Canada <sup>(1)</sup>	-	(130) million	-
<b>Sub-total</b>	<b>278 million</b>	<b>246 million</b>	<b>560 million</b>
Capital expenditures related to the ERP system	66 million	60 million	51 million
<b>Total</b>	<b>344 million</b>	<b>306 million</b>	<b>611 million</b>

(1) Net of applicable taxes.

## 4.7 ENVIRONMENT

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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, Saputo Inc. and International Sector, 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. Regular reporting is made 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, as well as isolated accidental cases of unauthorized discharges. 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 and environmental compliance issues relating notably to wastewater discharges. Most of these historical contaminations result from current or former petroleum storage tanks. The Company is either implementing proper remediation measures, overseeing their implementation by the responsible party 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 and environmental compliance issues.

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. One of the Company's California facilities is currently subject to greenhouse gas emission reduction requirements, and holds all emission allowances, credits or units necessary to comply with the requirements for the 2019 calendar year.

Environment is one of the seven pillars of the Saputo Promise, a commitment made by the Company to demonstrate good corporate citizenship and to live up to the values on which it was founded in 1954. Please refer to the Company's website at [www.saputo.com](http://www.saputo.com) for more information on the Saputo Promise.

During fiscal 2019, the Company spent approximately \$21.8 million to comply with existing environmental laws and regulations and improve plant efficiencies to reduce noise and air emissions 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, and spent less than \$100,000 in costs associated with obligations related to closed facilities. All amounts spent during fiscal 2019 are reflected in the Company's Consolidated Financial Statements included in the 2019 Annual Report. For fiscal 2020, Management estimates similar types of expenditures at approximately \$29.6 million and less than \$250,000, 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 2020.

## 4.8 INTELLECTUAL PROPERTY

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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 the Company's research and development teams in recent years. The protection of these assets may include patenting certain technologies when appropriate. Hence, Saputo takes, and intends to continue taking, appropriate measures to protect, maintain and enforce its intellectual property.

## 4.9 RISKS AND UNCERTAINTIES

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The risks and uncertainties related to Saputo's operations are disclosed in the Company's Management's Discussion and Analysis contained in the 2019 Annual Report, under the heading "Risks and Uncertainties", and incorporated herein by reference. The Management's Discussion and Analysis may be found on the Company's website at [www.saputo.com](http://www.saputo.com) or on SEDAR at [www.sedar.com](http://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, Montréal, Québec, H1P 1X8, Telephone: 514-328-6662.



## ITEM 5 – DIVIDEND POLICY

Saputo has a policy of declaring quarterly cash dividends on the Common Shares. 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, financial performance, capital requirements and such other factors as the Board of Directors, in its sole discretion, deems relevant.

In fiscal 2017, 2018 and 2019, Saputo declared yearly dividends on the Common Shares of \$0.60, \$0.64 and \$0.66 per share, respectively. During fiscal 2019, 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 7, 2018, to \$0.165 per share, representing a 3.1% increase compared to fiscal 2018 and a yearly dividend of \$0.66 per share.

## ITEM 6 – CAPITAL STRUCTURE AND MARKET FOR SECURITIES

### 6.1 SHARE CAPITAL

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#### 6.1.1 SHARE CAPITAL DESCRIPTION

The articles of the Company provide that its authorized share capital shall be composed of an unlimited number of Common Shares, without nominal or par value. As of the close of business on May 28, 2019, 390,842,673 Common Shares were issued and outstanding.

The following is a summary of the material provisions which are attached to the Common Shares and is qualified by reference to the full text of the rights, privileges, restrictions and conditions of such shares, which may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

#### *Voting*

Each Common Share entitles its holder to receive notice of and to attend all general and special meetings of shareholders of Saputo, 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, 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.

## 6.1.2 SHARE TRADING PRICE AND VOLUME

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 2018	42.43	39.08	8,382,388
May 2018	45.26	41.01	9,608,459
June 2018	45.44	41.22	10,428,158
July 2018	45.76	42.54	8,503,566
August 2018	43.83	39.72	7,766,259
September 2018	39.95	37.74	7,327,788
October 2018	40.69	38.05	10,075,823
November 2018	41.46	35.56	9,036,785
December 2018	41.73	38.80	8,821,561
January 2019	40.06	38.04	10,122,043
February 2019	43.88	38.26	8,303,868
March 2019	45.85	42.79	10,506,762

## 6.2 MEDIUM TERM NOTES

Since November 14, 2014, the Company has a medium term note program (the “**MTN Program**”) under which unsecured medium term notes (the “**MTNs**”) can be distributed to the public. The MTNs rank equally and *pari passu* with all other existing and future unsecured and unsubordinated indebtedness of the Company.

On December 12, 2018, the Company renewed its MTN Program and filed a short form base shelf prospectus qualifying an offering of MTNs for distribution to the public over a 25-month period.

During fiscal 2019, the Company completed the offering of one series of MTNs, which is detailed in the following table:

Security	Series 5 Notes
Size of Offering	\$350,000,000
Original Issue Date	August 14, 2018
Maturity Date	August 14, 2025
Coupon Rate	3.603%
Issue Price	\$1,000 per \$1,000 principal amount
Application of Proceeds	Repayment of outstanding indebtedness

As at May 28, 2019, \$1.55 billion was outstanding under the MTN Program.

In connection with its MTN Program and the issuance of the MTNs, the Company obtained credit ratings. See “Credit Ratings”.

## 6.3 CREDIT RATINGS

As at May 28, 2019, the credit ratings of the Company were as follows:

	DBRS		Moody's	
	Rating	Trend	Rating	Outlook
Issuer Credit Rating	BBB (high)	Stable	-	
MTN Program/Notes	BBB (high)	Stable	Baa1	Stable

The Company's current credit ratings are given the following credit characteristics by the rating agencies, which are based on information made available to the public by the rating agencies.

### ***DBRS***

- DBRS Limited ("DBRS") has 10 issuer rating categories and long-term debt rating categories, each ranging from AAA to D and uses the designation "(high)" and "(low)" in all rating categories other than AAA and D to show the relative standing of a rating within a category. The absence of either a "(high)" or "(low)" designation indicates the rating is in the middle of the category.
- The BBB (high) issuer credit rating assigned to the Company by DBRS indicates that the Company ranks in the fourth highest of DBRS's ten rating categories. Issuers which are rated in the BBB category by DBRS are considered to be of adequate credit quality and the capacity for the payment of their financial obligations is considered acceptable. In addition, issuers in the BBB rating category may be vulnerable to future events. Issuer ratings assigned by DBRS address the overall credit strength of the issuer, are based on the entity itself and do not include consideration for security or ranking.
- The BBB (high) credit rating assigned by DBRS to the notes issued by the Company indicates that the notes rank in the fourth highest of DBRS's ten rating categories. Debt instruments which are rated in the BBB category by DBRS are considered to be of adequate credit quality and the capacity for the payment of financial obligations is considered acceptable. In addition, debt instruments in the BBB rating category may be vulnerable to future events.
- DBRS uses "rating trends" for its ratings in the corporate sector. Rating trends provide guidance in respect of DBRS's opinion regarding the outlook for the rating in question, with rating trends falling into one of three categories - "Positive", "Stable" or "Negative". The rating trend indicates the direction in which DBRS considers the rating is headed should present tendencies continue, or in some cases, unless challenges are addressed. In general, the DBRS view is based primarily on an evaluation of the issuing entity or debt instruments, as applicable, but may also include consideration of the outlook for the industry or industries in which the issuing entity operates. A Positive or Negative Trend is not an indication that a rating change is imminent. Rather, a Positive or Negative Trend represents an indication that there is a greater likelihood that the rating could change in the future than would be the case if a Stable Trend was assigned to the issuing entity or debt instruments, as applicable. DBRS assigns a rating trend for each security of an issuing entity and it is not unusual for securities of the same entity to have different trends.

## **Moody's**

- Moody's Canada Inc. ("Moody's") has nine long-term debt rating categories, ranging from Aaa to C and applies numerical modifiers 1, 2 and 3 to each rating classification from Aa to Caa. The modifier 1 indicates that the issue ranks in the higher end of its generic rating category, the modifier 2 indicates a mid range ranking and the modifier 3 indicates that the issue ranks in the lower end of its generic rating category.
- The (P)Baa1 rating assigned by Moody's to the MTN Program indicates that the MTN Program ranks in the fourth highest of Moody's nine rating categories. Long term debt securities, which are rated Baa by Moody's, are considered medium-grade and as such may possess speculative characteristics.
- The Baa1 rating assigned to the notes issued by the Company by Moody's indicates that the notes rank in the fourth highest of Moody's nine rating categories. Long term debt securities, which are rated Baa by Moody's, are considered medium grade and as such may possess speculative characteristics.
- Moody's uses "rating outlooks" to provide its opinion regarding the likely direction of a rating over the medium term. The assignment of, or a change in, an outlook is not a credit rating action if there is no change to the credit rating. Where assigned, rating outlooks fall into the following four categories: "Positive (POS)", "Negative (NEG)", "Stable (STA)" and "Developing (DEV – contingent upon an event)".

The credit ratings assigned by DBRS and Moody's are not recommendations to purchase, hold or sell the Company's securities and may be subject to revision or withdrawal at any time by the respective rating organization. Such ratings do not comment as to market price or suitability for a particular investor. There is no assurance that these ratings will remain in effect for any given period of time or that the ratings will not be revised or withdrawn entirely in the future by the respective rating organizations if in their judgment circumstances so warrant. The credit ratings assigned by DBRS and Moody's may not reflect the potential impact of all risks related to structure and other factors of the MTN Program and on the value of the MTNs. In addition, real or anticipated changes in the credit ratings assigned to the Company or its securities will generally affect the market value of the MTNs.

As is common practice, each of the above-noted credit rating agencies charged the Company for their rating services, which include annual monitoring fees for monitoring the Company and updating the ratings, in addition to one-time rating fees when MTNs are issued. The Company reasonably expects that such payments will continue to be made for rating services in the future. No additional payment was made to the above-noted credit rating agencies for other services provided to the Company during the last two fiscal years.

## ITEM 7 – DIRECTORS AND OFFICERS

### 7.1 DIRECTORS

The following table sets forth each director’s name, province/state and country of residence, the year each first became a director and principal occupation. 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 <sup>(1)</sup>
Lino A. Saputo, Jr. Québec, Canada	2001	Chair of the Board and Chief Executive Officer of the Company
Louis-Philippe Carrière, FCPA, FCA <sup>(2)</sup> Québec, Canada	2017	Senior Advisor to the Company and Corporate Director
Henry E. Demone <sup>(3)</sup> Nova Scotia, Canada	2012	Corporate Director
Anthony M. Fata <sup>(3) (5) (6)</sup> Québec, Canada	2008	President of Sager Food Products Inc. (a food products manufacturing and distribution company)
Annalisa King, ICD.D <sup>(4)</sup> British Columbia, Canada	2012	Chair of the Board of the Vancouver Airport Authority
Karen Kinsley, FCPA, FCA, ICD.D <sup>(4)</sup> Ontario, Canada	2015	Corporate Director
Tony Meti, ICD.D <sup>(4)</sup> Québec, Canada	2008	President of G.D.N.P. Consulting Services, Inc. (a consulting company)
Diane Nyisztor, CPA, CA, H.R.C.C.C. <sup>(3)</sup> Québec, Canada	2016	Senior Vice President, Corporate Human Resources, Cogeco Inc. (a telecommunications company)
Franziska Ruf <sup>(3)</sup> Québec, Canada	2016	Partner, Davies Ward Phillips & Vineberg LLP (a law firm)
Annette Verschuren, O.C. <sup>(4)</sup> Ontario, Canada	2013	Chair of the Board and Chief Executive Officer, NRstor Inc. (a commercial energy storage project developer)

(1) Reference is made to the Company’s Management Information Circular dated June 6, 2019, under the section entitled “Election of Directors”, for information on other occupations during the last five years. This information is incorporated herein by reference. The Company’s Management Information Circular may be found on the Company’s website at [www.saputo.com](http://www.saputo.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).

(2) Mr. Louis-Philippe Carrière was Chief Financial Officer and Secretary of the Company until August 1, 2017, and since then acts as director and senior advisor to the Company.

(3) Member of the Corporate Governance and Human Resources Committee. The Chair of the Committee is Mr. Anthony M. Fata.

(4) Member of the Audit Committee. The Chair of the Committee is Mr. Tony Meti.

(5) Lead Director.

(6) Mr. Anthony M. Fata was a director of Verona Foods Inc., an importer of specialty foods, until August 3, 2012. Verona Foods Inc. commenced proposal proceedings under the *Bankruptcy and Insolvency Act* (Canada) on October 3, 2012 by filing a notice of intent to make a proposal. On January 29, 2013, Verona Foods Inc. made a voluntary assignment into bankruptcy pursuant to the *Bankruptcy and Insolvency Act* (Canada). The trustee to Verona Foods Inc. completed its administration of the estate and was discharged on September 8, 2016.

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 Ms. Annalisa King who was Senior Vice President and Chief Financial Officer of Best Buy Canada Ltd. from 2008 to 2016, Ms. Diane Nyisztor who was a partner at KPMG Canada LLP from 2013 to 2014, and Mr. Henry E. Demone who was Chair of the Board of Directors of High Liner Foods Incorporated from 2015 to 2019.

Information concerning the securities held by directors is included in the Company's Management Information Circular dated June 6, 2019, under the section entitled "Election of Directors".

## 7.2 EXECUTIVE OFFICERS

The following table sets forth the name, province/state and country of residence and position with the Company of each person who is an executive officer of the Company as of May 28, 2019:

Name and Province/State and Country of Residence	Position
Lino A. Saputo, Jr. Québec, Canada	Chair of the Board and Chief Executive Officer
Tom Atherton London, United Kingdom	President and Chief Operating Officer Dairy Division (UK)
Kai Bockmann Québec, Canada	President and Chief Operating Officer Saputo Inc. and International Sector
Terry Brockman Wisconsin, USA	President and Chief Operating Officer Cheese Division (USA)
Carl Colizza Québec, Canada	President and Chief Operating Officer (North America)
Paul Corney Texas, USA	President and Chief Operating Officer Dairy Foods Division (USA)
Martin Gagnon Québec, Canada	Chief Acquisition and Strategic Development Officer
Frank Guido Québec, Canada	President and Chief Operating Officer Dairy Division (Canada)
Maxime Therrien, CPA, CA Québec, Canada	Chief Financial Officer and Secretary
Gaétane Wagner Québec, Canada	Chief Human Resources Officer

During the last five years, all of the above-listed executive officers have held the principal occupation indicated opposite their names or other senior management positions with the Company, except for Mr. Martin Gagnon who, until June 2016, was Managing Director for National Bank Financial Corporate and Investment Banking Division, a subsidiary of National Bank of Canada, and Mr. Frank Guido who was Senior Vice President, Supply Chain for Maple Leaf Foods Inc. from May 2010 to March 2015.

As of May 28, 2019, the directors and executive officers of Saputo, as a group, beneficially owned or exercised control or direction over, directly or indirectly, an aggregate of 441,442 Common Shares, representing approximately 0.1% of the outstanding Common Shares of the Company.

## ITEM 8 - 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 9 - INTEREST OF MANAGEMENT AND OTHERS IN TRANSACTIONS

In the normal course of business, the Company receives services from and provides goods 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 value, comparable to similar arms' length transactions. Reference is made to the note in the Company's Consolidated Financial Statements describing the related party transactions (see "Additional Information").

## ITEM 10 - EXPERTS

Saputo's auditors are Deloitte LLP. Saputo's Consolidated Financial Statements as of March 31, 2019 and 2018 and for the years then ended have been filed under National Instrument 51-102 *Continuous Disclosure Obligations* in reliance on the report of Deloitte LLP, independent chartered accountants, given on their authority as experts in auditing and accounting. Deloitte LLP have advised Saputo that they are independent within the meaning of the Code of Ethics of the *Ordre des comptables professionnels agréés du Québec*.

## ITEM 11 - TRANSFER AGENT AND REGISTRAR

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

## ITEM 12 - MATERIAL CONTRACTS

No material contracts outside the ordinary course of business of the Company were entered into within the year ended March 31, 2019, or before such year that are still in effect, and which are required to be filed with Canadian securities regulatory authorities in accordance with section 12.2 of National Instrument 51-102 *Continuous Disclosure Obligations*.

## ITEM 13 – AUDIT COMMITTEE INFORMATION

### 13.1 AUDIT COMMITTEE’S MANDATE

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

### 13.2 COMPOSITION AND RELEVANT EDUCATION AND EXPERIENCE

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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 or her responsibilities as an Audit Committee member:

Name	Education and Experience
Annalisa King	Completed a Bachelor’s degree in business administration. Ms. King has occupied senior positions, primarily in finance, throughout her career at consumer packaged goods companies, including Senior Vice President and Chief Financial Officer of Best Buy Canada Ltd. from 2008 to 2016, where she led the company’s finance and accounting departments, as well as the information and ecommerce technology, legal and real estate functions. Ms. King’s professional experiences required and contributed to the development of her ability to analyze financial statements and understand the accounting principles used by the Company.
Karen Kinsley	Completed a Bachelor’s degree in Commerce. Ms. Kinsley has been a member of the Chartered Professional Accountants of Ontario since 1979 and was named a <i>fellow</i> in 2009. Ms. Kinsley held various positions within Canada Mortgage and Housing Corporation, including Chief Financial Officer for nine years and President and Chief Executive Officer for ten years. Ms. Kinsley’s professional experiences required and contributed to the development of her 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 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.



Name	Education and Experience
Annette Verschuren	Completed a Bachelor's degree in business administration. Ms. Verschuren has occupied senior functions throughout her career, such as President of The Home Depot Canada from 1996 to 2011. She has been the Chair and Chief Executive Officer of NRstor Inc. since March 2012. Ms. Verschuren's professional experiences required and contributed to the development of her ability to analyze financial statements and understand the accounting principles used by the Company.

### 13.3 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 \$250,000.

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.

### 13.4 EXTERNAL AUDITORS' FEES (BY CATEGORY)

The following table sets out, by categories, the fees billed by Deloitte LLP, the Company's external auditors, for fiscal years 2019 and 2018:

Fee Category	2019 (\$)	2018 (\$)
Audit Fees	2,245,900 <sup>(1)</sup>	1,365,900
Audit Related Fees	406,400	354,000
Tax Fees	464,200	463,800
All Other Fees	53,300	13,000
Total	3,169,800	2,196,700

(1) The audit fee increase year-over-year was largely due to the timing of billing for audit work and additional audit work performed as a result of recent acquisitions.

"Audit fees" include the aggregate fees billed by Deloitte LLP for professional services rendered for the audit of Saputo's annual consolidated financial statements, for the review of Saputo's condensed interim consolidated financial statements and for services provided in connection with regulatory, prospectus and other offering document filings or similar engagements. In addition, audit fees included the cost of translation of various continuous disclosure documents.

"Audit Related Fees" include the aggregate fees billed by Deloitte LLP for assurance and related services that are reasonably related to the performance of the audit or review of the financial statements and not reported as part of Audit Fees. 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, services related to acquisitions, and other statutory audits.

"Tax Fees" include the aggregate fees billed by Deloitte LLP for all tax services. More specifically, these services include, among other things, tax compliance, tax preparation, tax advice and tax planning. Fees related to tax compliance and preparation amounted to \$194,760 for fiscal 2019 and \$64,640 for fiscal 2018, whereas fees for tax advice and planning amounted to \$269,440 for fiscal 2019 and \$399,160 for fiscal 2018.

"All Other Fees" include the aggregate fees billed by Deloitte LLP for all services other than those reported under Audit Fees, Audit Related Fees and Tax Fees, and generally relate to services performed with respect to business consulting and other advisory services.

## ITEM 14 – 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 Information Circular dated June 6, 2019, and may be found on SEDAR at [www.sedar.com](http://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, 2019, and may be found on the Company's website at [www.saputo.com](http://www.saputo.com) or on SEDAR at [www.sedar.com](http://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, Montréal, Québec, H1P 1X8, Telephone: 514-328-6662.

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## APPENDIX “A”

### AUDIT COMMITTEE MANDATE

#### 1. AUTHORITY

The audit committee (the “Committee”) is a standing committee of the board of directors (the “Board”) of Saputo Inc. (the “Company”) which has the responsibilities described under the heading “Responsibilities”. The Committee reports to the Board. The role of the Committee is to assist the Board in its oversight and supervision of (i) the integrity of the Company’s financial reporting, (ii) the Company’s internal controls, (iii) the independence, qualifications and performance of the external auditors, (iv) the performance of the internal auditor, (v) risk management and (vi) the Company’s compliance with applicable securities legislation.

#### 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 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 Chair is appointed by the Board for a one-year term, which may be renewed. In the absence or failure of the Chair to sit, this role is filled by a member chosen by the Committee.
- 2.4 The Committee meets at least four times annually. The Chair of the Board, the Lead Director of the Board, any member of the Committee, the external auditors, the person responsible for internal audit, the Chief Executive Officer or the Chief Financial Officer and Secretary 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. Unless waived by the members of the Committee, the Committee shall meet in camera at each meeting.
- 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 The Chair of the Committee approves meeting agendas and ensures that documents referred to in the agenda are forwarded to members of the Committee sufficiently in advance for their perusal. Any member of the Committee may propose the inclusion of additional items on the agenda, or at any Committee meeting raise subjects that are not on the agenda for that meeting.

- 2.7 Minutes of meetings of the Committee must accurately reflect the significant discussions and the decisions of the Committee and must be circulated to the members of the Committee for their approval. The secretary of the Company (the “**Corporate Secretary**”), his or her designate or any other person the Committee requests, shall act as secretary of the Committee meetings. Minutes of the Committee meetings shall be recorded and maintained by the Corporate Secretary, or any other person acting in such capacity, and subsequently presented to and filed with the Board.
- 2.8 To facilitate communication between the Committee and the Board, the Chair must provide a report to the Board on material matters considered by the Committee at the first Board meeting following the Committee’s meeting.
- 2.9 The Committee may invite any person deemed appropriate to a Committee meeting. However, such person may not at any time vote at the Committee’s meeting.
- 2.10 The Committee has full access to members of senior management and other personnel, as well as to documents, of the Company and its subsidiaries. The Committee has the authority to retain, at the cost of the Company, independent legal counsel, consultants or other advisors it considers necessary to carry out its mandate and fulfill its responsibilities, and to fix the compensation of such advisors.
- 2.11 The Committee has the power to communicate directly with the external auditors and the Company’s internal auditor, accounting personnel and management and shall ensure that they have unrestricted access to the Committee. For the purpose of its duties, the Committee may examine the pertinent books and accounts of the Company and its subsidiaries.
- 2.12 The external auditors report and account directly to the Committee.

### **3. RESPONSIBILITIES**

In carrying out its mandate and in addition to complying with legal responsibilities that may be attributed to it from time to time, the Committee has the following responsibilities and obligations:

#### 3.1 Financial Disclosure

- Review the interim financial reports and 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 and the external auditors regarding the interim financial reports and 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, including all prospectuses, the management information 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 and Secretary with respect to internal control over financial reporting and disclosure controls and procedures to ensure compliance with applicable securities legislation.
- Review and discuss with management and the external auditors the appropriateness, quality 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 laws and regulations.
- 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 Company's Normal Course Issuer Bid and recommend to the Board its approval, renewal or cancellation.
- Review, at least annually, the dividends policy and recommend the approval by the Board of all payments of dividends, if any.
- Review the disclosure of the pension plans and other post-employment benefits of the Company in the annual financial statements.

### 3.2 Risk Management and Internal Control

- Periodically review, evaluate and discuss with management and internal audit the risk factors inherent to the Company (in particular, reputational, financial, strategic, compliance 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 review and monitor the presence and the effectiveness of the Company's internal control over financial reporting 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 disclosure controls and procedures of the Company, including 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 management’s report 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 management information 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 Auditor

- Oversee the internal audit function.
- Review and approve annually the internal audit plan prepared by the person responsible for internal audit.
- Review periodically the reports, observations and recommendations of the internal auditor intended for the Committee, as well as the implementation of the recommendations.
- Meet periodically with the person responsible for internal audit, with and without the presence of management and the external auditors. During private meetings, discuss, among other things, the level of cooperation received from management, any unresolved differences of opinion, if any, the risk management framework and the internal 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, review, examination or certification services to the Company and resolve disagreements, if any, between management and the external auditors regarding financial reporting.

- Obtain and review annually a report by the external auditors of the Company describing the external auditors' quality control procedures.
- Recommend to the Board the appointment of external auditors for the upcoming fiscal year and the fees for all audit, review or attest services.
- 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 and delineating all relationships the external auditors have with the Company which may affect the independence and objectivity of the external auditors.
- Review and evaluate, at least once per year, the independence and performance of the external auditors, the qualifications and quality of their engagement team and the quality of communications and interactions between the Committee, the external auditors and management.
- 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 laws and regulations, 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 periodically with the external auditors, with and without the presence of management, in regard to the interim financial reports and annual financial statements and discuss with them (i) the results of the audit or review, as applicable, (ii) the assessment of the control systems in place and their recommendations, (iii) any significant risks or exposures identified by the external auditors, and (iv) any other material matter relating to the audit or review of the financial statements, including the level of cooperation received from management and the internal auditor and any material differences in opinion between the external auditors and management that occurred during the course of the audit or review of the financial statements.
- Ensure that there is a rotation of the lead engagement partner, engagement quality review partner and other key audit partners, as per the CPA Code of Professional Conduct.
- 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 and submit the result of this assessment to the Board.
- Annually review the mandate of the Committee and recommend any changes to the Board.

### 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.