MAPLE LEAF FOODS INC.

ANNUAL INFORMATION FORM

February 21, 2017
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MAPLE LEAF FOODS INC.
ANNUAL INFORMATION FORM

Unless otherwise indicated, the information in this Annual Information Form is given as of December 31, 2016 and all amounts are in Canadian dollars. Unless the context otherwise requires, references herein to “Maple Leaf Foods” or the “Company” are to Maple Leaf Foods Inc. and its consolidated subsidiaries.

SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION
This document contains, and the Company’s oral and written public communications often contain, “forward-looking information” within the meaning of applicable securities law. These statements are based on current expectations, estimates, forecasts and projections about the industries in which the Company operates as well as beliefs and assumptions made by the management of the Company. Such statements include, but are not limited to, statements with respect to objectives and goals, in addition to statements with respect to beliefs, plans, expectations, anticipations, estimates and intentions. Specific forward-looking information in this document includes, but is not limited to, statements with respect to: the increases in operating efficiencies and cost reductions; expectations regarding the use of derivatives, futures and options; expectations regarding improving efficiencies; the expected use of cash balances; source of funds for ongoing business requirements; capital investments and expectations regarding capital expenditures; expectations regarding the implementation of environmental sustainability initiatives; expectations regarding the adoption of new accounting standards and the impact of such adoption on financial position; expectations regarding pension plan performance and future pension plan liabilities and contributions; expectations regarding levels of credit risk; expectations regarding outcomes of legal actions; and, the general assumption that none of the risks identified below or elsewhere in this document will materialize. Words such as “expect”, “anticipate”, “intend”, “may”, “will”, “plan”, “believe”, “seek”, “estimate” and variations of such words and similar expressions are intended to identify such forward-looking information. These statements are not guarantees of future performance and involve assumptions, risks and uncertainties that are difficult to predict.

In addition, these statements and expectations concerning the performance of the Company’s business in general are based on a number of factors and assumptions including, but not limited to: the condition of the Canadian, U.S., and Japanese economies; the rate of exchange of the Canadian dollar to the U.S. dollar and the Japanese yen; the availability and prices of raw materials, energy and supplies; product pricing; the availability of insurance; the competitive environment and related market conditions; improvement of operating efficiencies whether as a result of the Value Creation Plan (as defined below) or otherwise; continued access to capital; the cost of compliance with environmental and health standards; no adverse results from ongoing litigation; no unexpected actions of domestic and foreign governments; and the general assumption that none of the risks identified below or elsewhere in this document will materialize. All of these assumptions have been derived from information currently available to the Company including information obtained by the Company from third-party sources. These assumptions may prove to be incorrect in whole or in part. In addition, actual results may differ materially from those expressed, implied or forecasted in such forward-looking information, which reflect the Company’s expectations only as of the date hereof.

Factors that could cause actual results or outcomes to differ materially from the results expressed, implied or forecasted by forward-looking information include, among other things:

- risks associated with the Company focusing solely on the protein business;
- risks related to the Company's decisions regarding any potential return of capital to shareholders;
- risks associated with the Value Creation Plan and concentration of production in fewer facilities;
- risks associated with the availability of capital;
- risks associated with cyber threats;
• risks associated with changes in the Company’s information systems and processes;
• risks posed by food contamination, consumer liability, and product recalls;
• risks associated with acquisitions, divestitures, and capital expansion projects;
• impact on pension expense and funding requirements of fluctuations in the market prices of fixed income and equity securities and changes in interest rates;
• cyclical nature of the cost and supply of hogs and the competitive nature of the pork market generally;
• risks related to the health status of livestock;
• impact of a pandemic on the Company’s operations;
• the Company’s exposure to currency exchange risks;
• the ability of the Company to hedge against the effect of commodity price changes through the use of commodity futures and options;
• impact of changes in the market value of the biological assets and hedging instruments;
• risks associated with the supply management system for poultry in Canada;
• risks associated with the use of contract manufacturers;
• impact of international events on commodity prices and the free flow of goods;
• risks posed by compliance with extensive government regulation;
• risks posed by litigation;
• impact of changes in consumer tastes and buying patterns;
• impact of extensive environmental regulation and potential environmental liabilities;
• risks associated with a consolidating retail environment;
• risks posed by competition;
• risks associated with complying with differing employment laws and practices, the potential for work stoppages due to non-renewal of collective agreements, and recruiting and retaining qualified personnel;
• risks associated with pricing the Company’s products;
• risks associated with managing the Company’s supply chain; and
• risks associated with failing to identify and manage the strategic risks facing the Company.

The Company cautions the reader that the foregoing list of factors is not exhaustive. These factors are referred to in more detail under the heading “Risk Factors” on page 14 of this document. The reader should review such section and the other documents it references in detail. The Company does not intend to and the Company disclaims any obligation to update any forward-looking information, whether written or oral, or whether as a result of new information, future events or otherwise except as required by law.

Additional information concerning the Company, including the Company’s Management’s Discussion and Analysis, is available on SEDAR at www.sedar.com or at www.mapleleaffoods.com.
OVERVIEW OF THE BUSINESS

Maple Leaf Foods is a leading Canadian consumer protein company, with revenues from continuing operations of approximately $3.3 billion in fiscal 2016. The Company’s ongoing business is divided into two operating and reportable segments: the Meat Products Group and the Agribusiness Group. During 2014, the Company divested its interest in a third reportable segment, the Bakery Products Group.

The Meat Products Group includes value-added prepared meats, lunch kits snacks, and fresh pork and poultry products sold under leading Canadian brands such as Maple Leaf®, Schneiders® and many leading regional brands.

The Agribusiness Group includes Canadian hog production operations that primarily supply the Meat Products Group with livestock as well as sell animal feed on a tolling basis.

Prior to its disposal in 2014, the Bakery Products Group was comprised of Maple Leaf Foods’ 90% ownership in Canada Bread Company, Limited (“Canada Bread”). On May 23, 2014, Grupo Bimbo, S.A.B. de C.V. of Mexico (“Grupo Bimbo”) acquired all the issued and outstanding shares of Canada Bread owned by the Company by way of a statutory plan of arrangement under the Business Corporations Act (Ontario) (the “Arrangement”). The Company received gross proceeds of approximately $1.66 billion (which includes its share of the dividend paid upon closing of the Arrangement) for its interest in Canada Bread, resulting in a pre-tax gain of $997.0 million for the year ended December 31, 2014.

Organizational Structure

The following chart summarizes the Company’s current organizational structure by operating segment as at December 31, 2016 (sales figures are in millions):

<table>
<thead>
<tr>
<th>Meat Products Group</th>
<th>Agribusiness Group</th>
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<tr>
<td>Employees - 9,929 (1)</td>
<td>Employees - 722 (1)</td>
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<td>Sales - 2016 - $3,317</td>
<td>Sales - 2016 - $15</td>
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<td>Sales - 2015 - $3,277</td>
<td>Sales - 2015 - $16</td>
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<tr>
<td>Sales - 2014 - $3,135</td>
<td>Sales - 2014 - $22</td>
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Prepared meats, lunch kits and snacks, and value-added fresh pork and poultry products

Swine Production

(1) In addition, there are approximately 580 corporate office employees of the Company who are not employed by any particular operating segment.
GENERAL DEVELOPMENT OF THE BUSINESS

Three-Year History

General

For the three years ended December 31, 2016, the Company has been affected by a number of factors, changes and initiatives including:

1. Final steps towards completion of a comprehensive value creation plan (the “Value Creation Plan”) commenced in 2010 designed to increase shareholder value by modernizing and consolidating the prepared meats supply chain through a number of short- and longer-term initiatives to capitalize on the scale of the Company in the domestic Canadian marketplace, including:
   (a) simplification in product formulations and manufacturing;
   (b) facility rationalization and plant consolidations;
   (c) distribution improvements; and
   (d) strategic capital investments in new manufacturing and distribution facilities and technology;
2. The Company’s sale of its 90% interest in Canada Bread to Grupo Bimbo in May 2014; and
3. The impact of changes in the price of key inputs including pork, corn, wheat and fuel costs, the impact of currency changes and the ability of the Company to adjust prices in response to these changes.

Value Creation Plan

In the fall of 2010, the board of directors of the Company approved the Value Creation Plan designed to significantly increase profitability and competitiveness through cost reduction and productivity enhancement. The Value Creation Plan includes specific and executable steps that were developed through a comprehensive assessment of the Company’s operational strengths and competitive gaps. The Company determined that a productivity gap existed between Maple Leaf Foods and larger U.S. consumer packaged goods companies. Furthermore, the productivity gap was primarily due to the number of sub-scale plants within the prepared meats network that lacked the efficiency and improved technology that can be employed in larger facilities. Management concluded that there was significant opportunity to capitalize on the scale of the Company in the Canadian market place by producing its volume in a smaller number of larger facilities, allowing the Company to earn margins consistent with larger U.S. processors.

The Value Creation Plan included the following actions:

- Over $600 million was invested in capital to dramatically lower the cost structure and improve network efficiencies;
- Consolidation of 11 prepared meats plants into four scale facilities including a new 400,000 square foot prepared meats processing facility;
- Consolidation of 17 distribution centres into two;
- Approximately $90 million was invested to convert multiple legacy systems into one integrated SAP platform;
- Over 1,800 products were eliminated or reformulated to run on longer, faster lines with new technologies;
- Non-core businesses were sold which strengthened the balance sheet; and,
- Organizational changes were made to streamline the business and improve cost structures.

The Company took a long-term approach, building one of the most modern and efficient prepared meats networks in the food industry, fundamentally shifting costs and migrating to a value-added portfolio. In
2016 the Company achieved a 10.3% Adjusted EBITDA\(^1\) margin, exceeding the 10% target which was set for the Value Creation Plan.

The Company has executed the Value Creation Plan over the last six years by reducing product complexity, closing less efficient manufacturing and distribution operations and consolidating production and distribution into a smaller number of efficient scale facilities. The Value Creation Plan was substantially complete at the end of 2015 but work continued through 2016 and continues into 2017 to optimize the operations and eliminate ramp-up inefficiencies.

**Divestiture of Canada Bread**

On May 23, 2014, Grupo Bimbo acquired the 90% of the issued and outstanding shares of Canada Bread owned by the Company by way of the Arrangement. The Company received gross proceeds of approximately $1.66 billion (which includes its share of the dividend paid upon closing of the Arrangement) for its 90% interest in Canada Bread.

In 2014, a special committee that included all of the independent directors of Maple Leaf Foods was established to oversee the strategic review process and recommend the optimal use of proceeds arising from the completion of the Arrangement to benefit both Maple Leaf Foods and its shareholders, which would include some combination of debt repayment, supporting growth in its prepared meats business, and return to shareholders. At the time of the sale, the Company announced that following consideration of the alternatives, the board of directors of Maple Leaf Foods intended that the return to Maple Leaf Foods shareholders of any available proceeds from the sale of Canada Bread within three years of the closing date of the Arrangement, subject to certain exceptions, would be made pursuant to one or more issuer bids conducted in compliance with the terms of Multilateral Instrument 61-101 to protect the interests of minority shareholders and pursuant to a “Dutch Auction” and among other things, would be subject to a minimum deposit condition that more than 50% of the Maple Leaf Foods shareholders other than McCain Capital Inc. accept the issuer bid.

If it is determined that any one or more issuer bids could result in material adverse consequences to Maple Leaf Foods and/or its shareholders, the board of directors would consider alternative means of returning proceeds to shareholders that would be intended to have the same effect. See “Description of Capital Structure – Potential Returns of Capital to Shareholders”.

This manner of returning proceeds from the Canada Bread sale to shareholders reflected the intention of the board of directors of Maple Leaf Foods at the time of the Canada Bread sale. With the entering into of an amended and restated governance agreement with McCain Capital Inc. and Michael H. McCain that provides additional protections to minority shareholders in certain circumstances, the return of proceeds from the Canada Bread sale to shareholders in this manner is no longer required. There can be no assurance as to the manner that any remaining proceeds from the Canada Bread sale will be returned to shareholders, if at all. (A description of this governance agreement is found starting on page 25.)

The proceeds from the sale of Canada Bread were used to repay substantially all of the Company’s debt, with the balance of the funds invested in short term liquid investments or deposited with financial institutions to cash collateralize certain of its letters of credit.

With the sale of Canada Bread, Maple Leaf Foods became a focused protein company. Following the sale of Canada Bread, the Company changed its management structure and administration to fit the more narrow and focused structure of business.

The Company started implementing the changes commencing on closing of the Canada Bread sale transaction. The Company has agreed to continue to provide certain information system and other services to Canada Bread’s business units on a transitional basis after the closing of the sale for a period of up to two years following the sale, on a cost recovery basis.

The provision of these transitional services to Canada Bread ceased in 2016 and the Company has completed the reconfiguration of its information services operations.

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\(^1\) Adjusted EBITDA is a Non-IFRS measure and is defined in Management’s Discussion and Analysis for the 2016 financial year.
**Normal Course Issuer Bids**

On May 16, 2016, the Toronto Stock Exchange ("TSX") accepted the Company’s notice of intention to commence a new Normal Course Issuer Bid ("NCIB"), which allows the Company to repurchase, at its discretion, up to approximately 8.7 million common shares in the open market or as otherwise permitted by the TSX, subject to the normal terms and limitations of such bids. Common shares purchased by the Company are canceled. The program commenced on May 19, 2016 and will terminate on the earlier of: (a) the purchase of 8.7 million common shares of the issuer under the NCIB; (b) the Company providing a notice of termination; and (c) May 18, 2017. During the period from May 19, 2016 to February 15, 2017, 3.96 million shares were purchased for cancellation for $113.8 million at a volume weighted average price of $28.77 per share.

On March 23, 2015, the TSX accepted the Company’s notice of intention to commence an NCIB, which allowed the Company to repurchase, at its discretion, up to approximately 8.65 million common shares in the open market or as otherwise permitted by the TSX, subject to the normal terms and limitations of such bids. Common shares purchased by the Company are canceled. The program commenced on March 25, 2015 and was terminated on January 22, 2016, as the Company completed its purchase and cancellation of 8.65 million common shares for $194.5 million at a volume weighted average price paid of $22.48 per common share.

**Changes in the Prices of Key Inputs and Changes in Currency Exchange Rates**

**Key Inputs**

In 2016, U.S. pork prices were consistent with 2015 as improved hog demand offset a slight increase in production. Hog prices came under pressure as producers were less aggressive in competing for hog supplies due to the expansion in production.

In 2015, U.S. hog supplies rebounded from the impacts of the Porcine Epidemic Diarrhea ("PED") virus, resulting in an increase in hog production and a significant decline in hog market prices, which was offset by a weakening Canadian dollar. This is in contrast to 2014 which had record high hog prices due to low levels of production as a result of the PED virus, resulting in higher than normal input prices in the prepared meats business.

In aggregate, the market influences for the entire pork value chain were consistent with the long term averages for the first three quarters of 2016 and were favourable in the fourth quarter of 2016. Pork industry processor margins were significantly positive compared to the five-year average; however, these were partially offset by lower pork by-product values and hog production market influences which were below the five-year average in 2016.

Although feed grain prices in 2016 were very similar to 2015 market prices, the benefit of weaker corn prices was offset by higher domestic feed wheat prices in 2016. Feed grain prices declined slightly in 2015 compared to 2014; however, the weakening Canadian dollar increased prices within Canada. Feed grain prices moderated in 2014 from previous levels due to a record large crop in the year following a large corn crop in 2013. Soybean meal prices were at record highs in the third quarter of 2014, as U.S. soybean stocks declined to all-time low levels requiring imports from South America to maintain adequate supplies. Overall, the negative impacts of decreased hog market prices and increased feed costs on earnings in the hog production business in 2015 were largely offset by commodity hedging programs. In 2014, reduced feed costs had a positive impact on earnings in the hog production business, although this benefit was partially offset by unfavourable impacts of commodity hedging programs.

The prepared meats business is able to react to changes in input costs through pricing, cost reduction or investment in value-added products.

The Company uses derivatives and other non-derivative financial instruments to manage its exposures to fluctuations in commodity prices.

**Currency**

The Canadian dollar weakened relative to the U.S. dollar by 3.1% in 2016, 16.4% in 2015 and 6.8% in 2014, which did not have a material impact on earnings. In the short-term, a weaker Canadian dollar expands export margins in the Company’s primary pork processing and hog production operations.
Conversely, a weaker Canadian dollar increases the cost of raw materials and ingredients in the domestic prepared meats business. Over the longer term, a weaker Canadian dollar increases the relative competitiveness of the domestic Canadian packaged goods operation, as imports of competing products from the United States become less competitive. Similarly, the Company also has a greater ability to export and expand into the U.S. market.

During 2016, the Japanese yen increased in value relative to the Canadian dollar by 13.3% whereas it increased in value relative to the Canadian dollar by 1.0% in 2015 and declined relative to the Canadian dollar by 1.0% in 2014. Neither had a material impact on earnings. In general, an increase in the Japanese yen strengthens export margins to Japan in the Company’s fresh pork business while a decline in the Japanese yen compresses export margins to Japan in the Company’s primary pork processing business. The Company ultimately seeks to manage pricing to offset the impact of currency fluctuations.

The Company uses derivatives and other non-derivative financial instruments to manage its exposures to fluctuations in foreign exchange rates.

Sustainability

The Company has in place a comprehensive sustainability strategy focused on advancement in four areas: advancing nutrition and health, valuing our people and communities, treating animals well, and eliminating waste. The Company views this strategy as a competitive advantage. The Company’s goal is to deeply embed sustainability into how it operates and to create business value through addressing social and environmental issues. As people increasingly focus on what is in their food and how it is produced, there is significant opportunity in building leadership in sustainable protein by producing more natural, nutritious foods; lending our voice and resources to address the critical issue of food insecurity; continually enhancing a strong animal care program; and eliminating waste. In 2016, the Company made considerable progress in executing its sustainability priorities identified for each of its four pillars. The Company reports on its progress against its sustainability goals using the Global Reporting Initiative (GRI) Standards for Sustainability Reporting and produces an annual sustainability report on its sustainability website (www.mapleleafsustainability.ca). This website is also regularly updated with other related information and developments.

Maple Leaf Food’s Sustainability Priorities

The Company has defined four sustainability priorities and areas of focus:

Advancing Nutrition and Health

There is significant commercial and social benefit to advancing the nutrition and health benefits of the Company’s products. Maple Leaf Foods continues to advance the use of simpler, natural ingredients, reducing or eliminating antibiotic use in animal production, and other key initiatives including reducing sodium levels to meet Health Canada guidelines. An analysis of product ingredients and formulations across the Company’s portfolio has been undertaken and a comprehensive plan is being implemented to advance nutrition across our categories.

Valuing our People and Communities

The Company values a strong culture that keeps people safe, rewards excellence and empowers employees to learn and contribute their best. This includes a robust workplace safety program, which has driven continuous material reductions in workplace accidents. The Company is committed to being a destination for top talent, supported by leadership and career development, training and developing a formalized diversity and inclusion strategy. The Company is also increasing its engagement in responding to the critical national and global issue of food security through a comprehensive community involvement program. Please see the section on “Food Security” on page 8.

Treating Animals Well

This sustainability pillar is embodied in the Company's Animal Care Commitment, launched in 2015, that articulates the principles, goals and actions it is taking to become a leader in animal care. This includes advancing a culture of animal care through communications, education and training; robust policies and procedures; regular reporting of performance and conducting frequent, rigorous internal and independent audits; advancing practices and technologies based on sound science; and providing clear, fact-based communication of goals, performance and progress. In 2016, the Company made considerable progress
in implementing programs to meet the Company’s Animal Care Commitment and animal care strategy, which were described in the Company’s 2015 annual sustainability report.

**Eliminating Waste**

The Company is committed to reducing its environmental footprint by 50% by 2025, encompassing the three areas where the Company has the largest environmental impact: climate change (energy and emissions), water usage and waste. The Company has completed energy, water and waste audits to benchmark its current footprint and has developed action plans to deliver on its environmental goals. In 2016, the Company has made significant progress towards the implementation of these plans.

**Food Security**

On December 6, 2016, Maple Leaf Foods announced a long-term commitment to advance sustainable food security through the launch of the Maple Leaf Centre for Action on Food Security (“the Centre”), a not-for-profit organization. The Company expects to invest over $10 million over the next five years to support the Centre’s activities, and will also make product donations exceeding $1.5 million annually. The Centre has three areas of focus: advocacy, innovation and learning. The Centre and Maple Leaf Foods will support, engage and advocate for important policies that advance sustainable food security. The funds provided by the Company are expected to be invested in innovative food security initiatives based on dignity, empowerment and skill building that can potentially be scaled to increase their impact. The Centre will share learning from its work and support networks, collaboration and research in the food security sector that builds further understanding of the issues, approaches and enables knowledge transfer. The Centre’s website can be accessed at [www.feedopportunity.com](http://www.feedopportunity.com).

**Acquisitions, Dispositions and Capital Expansions**

The specific acquisitions, dispositions, capital expansions and conditions that have influenced the general development of the business in each of the operating segments over the last three fiscal years are discussed below.

**Meat Products Group**

In connection with the Value Creation Plan described above, the Company implemented short- and long-term initiatives aimed at building significant and sustainable shareholder value. The longer term initiatives include plant consolidations and strategic capital investments in new manufacturing capacity and technology.

The total capital investments in the Value Creation Plan included over $600 million supporting the Company’s prepared meats network. Furthermore, approximately $90.0 million was expended to implement SAP for the entire company. Both of these were substantially complete as of December 31, 2016 and in line with estimates.

Included in this investment is the new 400,000 square foot fully operational scale plant in Hamilton, Ontario that is focused on production of wiener and deli meats. The transfer of production and closure of legacy plants was completed in 2015. During 2016, the Company continued to eliminate ramp-up inefficiencies. Also included in this investment are expansions and upgrades of three other existing facilities in Saskatoon, Saskatchewan; Winnipeg, Manitoba; and, Brampton, Ontario. The Saskatoon facility specializes in production of cooked smoked sausages and meat snacks; the Winnipeg plant consolidates value-added ham and bacon processing; and the Brampton location focuses on the production of boxed meats and fresh and frozen sausages. The Company’s plant in Kitchener, Ontario closed in February 2015 and the last remaining legacy plant in Toronto, Ontario closed in April 2015. The Company's legacy plants in Hamilton, Ontario, Toronto, Ontario and Moncton, New Brunswick and a small facility in Winnipeg, Manitoba were closed by the end of 2014 as production was consolidated into the three expanded plants and the new facility in Hamilton, Ontario. These changes have increased the Company’s operating efficiencies and lowered costs.

The Company also simplified its distribution network by consolidating five Company-owned and numerous third-party distribution centres into two facilities. The facility in Guelph, Ontario to service
eastern Canada was fully functional by the end of 2014. The Moncton, New Brunswick distribution centre closed at the end of February, 2014. An existing facility in Saskatoon, Saskatchewan now serves as the western Canadian distribution hub.

The Company’s strategy for pork production is to supply pork for the Company’s prepared meats operations. In 2016, the Brandon, Manitoba and Lethbridge, Alberta plants processed an aggregate of approximately 74,800 hogs per week, up from the 73,300 hogs per week processed in 2015 and 74,500 hogs per week processed in 2014.

During 2015, the Company sold redundant properties in Hamilton, Ontario; Burlington, Ontario; and two properties in Winnipeg, Manitoba. The Hamilton location was leased back for a period of one year. During 2016, the Company sold redundant properties in Toronto, Ontario and Moncton, New Brunswick. The Kitchener legacy plant has not been sold.

The Company will close its 80 year-old Thamesford turkey processing facility in 2018 as it has entered into a turkey processing agreement with a third party which will, starting in early 2018, provide the Company with fresh turkey processing service so that the Company can maintain its supply of fresh turkey meat for further processing from the live turkey the Company sources.

In addition to the projects listed above, the Company invests capital in its facilities to improve and maintain its plant network.

On February 21, 2017, the Company signed a definitive agreement to acquire 100% of the outstanding shares of Lightlife Foods Holdings, Inc. ("Lightlife") a privately held U.S. based corporation engaged in the production and distribution of refrigerated plant-based protein products. Lightlife has a leading market share in this segment, and will provide the Company with a strong position in this fast growing category. The anticipated purchase price is US$140.0 million prior to transaction fees, debt settlement, and working capital adjustments. The transaction is subject to customary US regulatory review, and will be accounted for as a business combination. The Company intends to settle the transaction in cash, with an expected closing date in March 2017.

Pricing

The Company’s profitability is dependent, in large part, on the Company’s ability to make pricing decisions regarding its products that on one hand encourage consumers to buy, yet on the other hand recoup development and other costs associated with those products. Products that are priced too highly will not sell and products priced too low will not generate an adequate return. Accordingly, any failure by the Company to properly price its products could have a material adverse effect on the Company’s financial condition and results of operations.

Agribusiness Group

In 2016, as in previous years, the Company continued to streamline its operations to reduce costs.

The number of finished hogs produced by the Company was approximately 1.55 million in 2016. This compares with 1.47 million in 2015 and 1.41 million hogs in 2014. The Company effectively owned 41% of the hogs that it processed in its facilities in 2016. In 2015 and 2014, the Company effectively owned 39% and 38% respectively of the hogs that it processed in its facilities.
DESCRIPTION OF THE BUSINESS

General
Maple Leaf Foods believes that its portfolio of brands, product lines and selling channels provides the Company with a diversified revenue stream. The Meat Products Group and the Agribusiness Group are complementary. While the primary processing operations in the Meat Products Group are somewhat cyclical, the consumer foods operations of the Meat Products Group are not. As a result, the results of the non-cyclical operations provide an offset to the results of the cyclical operations. The Value Creation Plan described in “General Development of the Business – Three Year History” above was intended to simplify the Company’s operations by reducing complexity and costs and by leveraging scale and technology.

The Company’s customers are located in approximately 30 countries worldwide. While domestic sales in Canada represent the majority of the Company’s revenues, a significant portion of the Company’s sales are derived from international markets such as the United States and Japan. Maple Leaf Foods’ customers include retail and food service outlets, and other food processors.

Except as noted below, the Company does not have any customer representing more than 10% of sales. For the year ended December 31, 2016, the Company reported sales to one customer representing approximately 13.2% of total sales. These revenues were reported in the Meat Products Group. For the year ended December 31, 2015 the Company reported sales to one customer representing approximately 14% of total sales and for the year ended December 31, 2014 sales to two customers representing 15.5% and 11.1% of total sales. Maple Leaf Foods’ largest customers typically purchase many different food products from the Company.

MEAT PRODUCTS GROUP

General
The Meat Products Group includes value-added prepared meats, lunch kits and snacks, and value-added fresh pork and poultry products sold under flagship Canadian brands such as Maple Leaf®, Maple Leaf Prime®, Maple Leaf Natural Selections®, Schneiders®, Schneiders® Country Naturals®, Mina®, Devour™ and many leading regional brands. Meat products are sold to consumers through retailers, food service and industrial channels. The Company also operates an international export business through a network of three offices located in Canada, Korea and Japan, with a fourth office in Shanghai opening in 2017, that is focused on the sale of chilled and frozen pork and value-added meats and meals and on serving the needs of the Company’s strategic international customers.

The Company has processing plants and distribution centres across Canada with a sales organization across both Canada and the United States.

The Company routinely introduces new products for consumers and its foodservice customers under its established brands – Maple Leaf®, Maple Leaf Prime® and Schneiders® – and under established and new sub-brands such as Pepperettes®, Hot Rod®, Maple Leaf Natural Selections®, PROTINIS™, Country Naturals®, Mina®, Oh Naturel™, Devour™ and Greenfield Natural Meat Co.™. The new products are derived from chicken, pork, turkey, beef and plant based proteins and include fresh and frozen meat offerings, ready-to-heat refrigerated entrees, family-size deli offerings, ethnic offerings, lunch kits and fresh protein snacks.

Principal Products and Markets
The Company’s products include bacon, hams, wiener, meat snacks, a wide variety of delicatessen products, processed chicken products such as fully cooked chicken breasts and wings, processed turkey products such as fully cooked turkey breast roasts, specialty sausage and deli products, a complete line of cooked meats, sliced meats, cooked sausage products, lunch kits, lard and canned meats. The Company produces and markets a broad line of value-added meats and meals under a variety of national brand names such as Maple Leaf®, Schneiders®, Prime™, Mina®, Greenfield Natural Meat Co.™, Devour™, Shopsy’s®, Hygrade® and other leading regional brands, as well as supplying private label brands. The Company markets its products to major grocery store chains, independent grocery outlets, large discount stores and retail and wholesale buying groups. Products are sold primarily in Canada and
the United States. In addition, prepared meats, pork and poultry products are sold to food service distributors for subsequent sale to restaurants, institutions and other food service establishments.

The Company’s products also include fresh primal and value-added pork cuts, fresh cut-up and whole chicken and turkey products and frozen whole birds and turkey parts. Pork is sold under the Maple Leaf, Lethbridge Heritage Pork™ and Greenfield Natural Meat Co.™ brands. Chickens are sold under the Maple Leaf Prime®, Maple Leaf Prime Naturally® and Mina® brands as a value-added branded line of fresh poultry products. Turkey is sold under the Maple Leaf Prime® and Cold Springs Farm® brands. Most of the chicken produced is sold in fresh form while turkey is sold in both fresh and frozen formats. Primary customers are retail grocery store chains, the food service industry, institutional buyers and other food processors. There are significant sales of pork products outside of Canada, principally in Japan, China and the United States. The Company also prepares turkey meat into cooked and uncooked value-added turkey products. The prepared value-added turkey products are sold to retailers, distributors and food service companies. The Company offers a growing selection of protein sources from animals raised without the use of antibiotics (“RWA” in Canada, commonly referred to as Antibiotic-Free or “ABF” in the United States).

Raw Materials

The majority of the hogs procured by the Company are sourced through direct contracts with producers with terms from one to five years with varying pricing mechanisms and premiums for livestock with specific quality characteristics. The availability of hogs is limited by the size of the herds in the general location of the primary processing plants. As described in more detail below under Description of the Business – Agribusiness Group, in 2016 the Company effectively owned 41% of the hogs that it processed in its hog slaughter facilities, up from 39% in 2015. Under its contracts with producers, producers gain access to risk management tools managed by the Company.

Poultry processing operations in Canada function within a highly regulated environment where live supply is controlled by marketing boards and other government agencies. All of the Company’s live chicken and turkey supply for its processing operation is purchased through supply marketing boards that regulate both the supply and the cost of the Company’s primary raw material. The Company’s raw material requirements (other than the significant amount of fresh pork produced in its own plants) are purchased as commodities on the open market, either directly from suppliers or through brokers in Canada or the United States, with prices fluctuating based on demand and available supply.

Most of the Company’s raw materials for further processing are sourced internally for pork and poultry with the balance of supplies required to meet demand purchased externally at market prices. A number of finished products are purchased through co-manufacturing agreements with outside suppliers. Subject to the comments above regarding live hog and poultry supply, the raw materials necessary for the operation of the Company’s Meat Products Group are readily available.

Markets and Competition – Meat Products Group

The Meat Products Group currently holds the number one or number two national market share position in almost all of its core product segments. While the number of competitors and the degree of competition varies by product and region, the meat industry in Canada is highly competitive and includes competition from foreign manufacturers. Major competitors include several multinational food companies, and national and regional manufacturers. The markets for fresh pork are international, and the Company competes with large pork processors located in the United States and throughout the world. The Company is a significant purchaser of live hogs in Canada and competes with both Canadian and United States processors for hog supply. In the fresh pork and poultry operations, the Company’s financial results are influenced by market prices for live hogs and chickens.

The Company is continuing in its efforts to minimize the influence of underlying commodity prices by focusing on value-added products, and by increasing operating efficiencies in order to improve its competitive position. The Company also attempts to minimize the overall impact of these commodity prices through its balanced portfolio of production and processing operations, as its hog production operations benefit from high hog prices and profits are usually countercyclical to the fresh pork operations.
Consumer demand for meat products is seasonal, with demand increasing during the summer months for barbecue products and during the winter months for fully cooked ready-to-serve products. Strong demand for grilled meat products affects the fresh and processed meats operations in the summer, while back-to-school promotions support increased sales of sliced meats and lunch items in the fall. The market for turkey and ham products is seasonal with a higher level of sales in the festive seasons (September to December and to a lesser extent, in March and April).

**AGRIBUSINESS GROUP**

The Agribusiness Group manages and produces live hogs, including providing its own hog feed. The Agribusiness Group conducts its business under the operating division Maple Leaf Agri-Farms.

Maple Leaf Agri-Farms

*General*

Maple Leaf Agri-Farms is a hog production operation with approximately 200 production locations in Manitoba and Saskatchewan, with approximately 67,000 sows under management at the end of 2016. The Company owns all of the sows in the barns which it manages and owns a number of nursery barns where weanlings are converted to feeder pigs. The Company grows additional weanlings in nursery barns leased by Maple Leaf Agri-Farms. Most of the feeder pigs are converted to market hogs in third-party owned and operated finishing barns under contracts of up to five years. The Company also owns five feed mills in Manitoba which produce in excess of 645,000 tonnes of animal feed annually, primarily used to feed the Company’s hogs.

In 2016, the Company produced approximately 1.55 million hogs compared to 1.47 million hogs in 2015 and 1.42 million in 2014. In 2016, the Company effectively owned approximately 41% of the hogs that it processed in its hog slaughter facilities.

*Principal Products and Markets*

Maple Leaf Agri-Farms’ market hogs are sold to the Company’s primary pork processing plant in Brandon, Manitoba and its specialty pork processing plant in Lethbridge, Alberta.

*Raw Materials*

Maple Leaf Agri-Farms purchases breeding stock, feeds and medication, each of which is readily available at competitive prices. The Company owns five feed mills in Manitoba which are used primarily to service the internal animal feed requirements of the Maple Leaf Agri-Farms hog operations. The mills purchase grains and pre-mixes to manufacture finished feed rations, both of which are readily available.

*Markets and Competition – Agribusiness Group*

Maple Leaf Agri-Farms faces competition from other hog production systems for nursery and finishing barn spaces.

**FOREIGN OPERATIONS**

In 2016 the Company derived approximately 77% of its revenue from sales in Canada, approximately 9% from sales in Japan and approximately 7% from sales in the United States, and the balance from sales in other global markets.

The Company operates an international export business through a network of offices located in Canada, Korea and Japan with an office opening in Shanghai in 2017 that is focused on the sale of chilled and frozen pork and value-added prepared meats and meals and on serving the needs of the Company’s strategic international customers. The Company markets a number of products outside of Canada including value-added prepared meats, pork and poultry products. There are significant sales of pork products in Japan, the United States, Mexico, China and Korea. The Company’s performance is affected by global market demand, prices and foreign exchange fluctuations as well as trade barriers.
INTANGIBLE PROPERTY – TRADEMARKS AND PATENTS

As a food products company, Maple Leaf Foods relies heavily on brand recognition and loyalty, and places a great deal of emphasis on its established range of trademarks. The Company believes its brands are recognized by consumers for quality and reliability.

The Company’s key trademarks in its Meat Products Group are presented below.

<table>
<thead>
<tr>
<th>Maple Leaf®</th>
<th>Hygrade®</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maple Leaf Prime®</td>
<td>Larsen®</td>
</tr>
<tr>
<td>Maple Leaf Prime Naturally®</td>
<td>Cappola™</td>
</tr>
<tr>
<td>Maple Leaf Natural Selections®</td>
<td>Holiday®</td>
</tr>
<tr>
<td>Maple Leaf Simply Savour®</td>
<td>Ready Crisp®</td>
</tr>
<tr>
<td>Schneiders®</td>
<td>Klik®</td>
</tr>
<tr>
<td>Schneiders® Country Naturals®</td>
<td>“Kam”®</td>
</tr>
<tr>
<td>Greenfield Natural Meat Co.™</td>
<td>Burns®</td>
</tr>
<tr>
<td>Mina®</td>
<td>Olympic®</td>
</tr>
<tr>
<td>Lunch Mate™</td>
<td>Parma®</td>
</tr>
<tr>
<td>Top Dogs™</td>
<td>Sunrise®</td>
</tr>
<tr>
<td>Shopsy’s®</td>
<td>Pepperettes®</td>
</tr>
<tr>
<td>Mitchell’s Gourmet Foods™</td>
<td>Hot Rods®</td>
</tr>
<tr>
<td></td>
<td>Devour™</td>
</tr>
</tbody>
</table>

Other than the Maple Leaf® trademark, the Company does not have any key trademarks in its Agribusiness Group.

Patents and other forms of intellectual property such as industrial designs and copyright are of less importance to the business activities of the Company.

ENVIRONMENTAL MATTERS

Maple Leaf Foods operates within the framework of an environmental policy entitled “Our Environmental Sustainability Commitment” that is approved by the Safety & Sustainability Committee of the board of directors of the Company. The Company’s Environmental Sustainability Commitment may be read at http://www.mapleleafsustainability.ca/wp-content/uploads/2016/04/Environmental-Sustainability-Commitment-2016_Final.pdf.

In particular, the policy requires the Company to include environmental matters in its strategic planning, monitor environmental and sustainability performance, educate its employees on environmental protection principles, seek ways to continually improve discharges to land, water and air, reduce waste and conserve resources, meet or exceed environmental laws and regulations, and work with communities in which we operate to ensure that management and employees are sensitive and responsive to local environmental concerns. The Company’s environmental sustainability program is monitored on a regular basis by the Committee, and involves the monitoring of compliance by the Company with regulatory requirements, and the use of internal environmental specialists and independent, external environmental experts. The Company continues to invest in environmental infrastructure related to water, waste and air emissions to ensure that environmental standards continue to be met or exceeded, while implementing procedures to reduce the impact of its operations on the environment.

As a large food company there are health, environmental, and social issues that go beyond short-term profitability that management believes must shape its business if the Company is to realize a sustainable future. Increasingly, moving beyond compliance to materially reducing environmental footprint is critical to addressing mounting environmental issues and realizing increased operating efficiencies and cost reductions. In 2015, the Company announced a goal to reduce its environmental footprint by 50% by 2025 in three key areas: climate change, water usage and waste reduction. Performance against this goal is communicated in the Company’s annual Sustainability Report. The Company has completed energy,
water and waste audits to benchmark current footprint and action plans to deliver on its environmental goals and is proceeding with the implementation of these plans.

Expenditures related to current environmental requirements are not expected to have a material adverse effect on the financial position or earnings of the Company. There can be no assurance, however, that certain events will not occur that will cause expenditures related to the environment to be significant and have a material adverse effect on the Company’s financial condition or results of operations. Such events could include, but not be limited to additional environmental regulation or the occurrence of an adverse event at one of the Company’s locations.

More on the Company’s sustainability initiatives may be read on its Sustainability website at http://www.mapleleafsustainability.ca.

EMPLOYEE RELATIONS

As of December 31, 2016, the Company employed approximately 11,200 people, of which about 7,725 were covered by some 20 collective agreements. These agreements are normally negotiated for varying terms, and in any given year, a number of these agreements expire and are renegotiated; most renew without significant issue. However, if a collective agreement covering a significant number of employees or involving certain key employees were to expire leading to a work stoppage, there can be no assurance that such work stoppage would not have a material adverse effect on the Company’s financial condition and results of operations.

Key collective agreements to be negotiated in 2017 include: manufacturing plants located at Drew Road, Mississauga and Brantford, Ontario and Saskatoon, Saskatchewan; and, poultry facilities at St. Mary’s, Ontario and Edmonton, Alberta.

RISK FACTORS

The Company operates in the food processing and agricultural business, and is therefore subject to risks and uncertainties related to these businesses that may have adverse effects on the Company’s results of operations and financial condition.

These risks and uncertainties are described under the heading “Risk Factors” in the Company’s Management’s Discussion and Analysis (“MD&A”) for the fiscal year ended December 31, 2016 and incorporated by reference herein. The Company has filed the MD&A with the Canadian securities regulators and it is available on SEDAR at www.sedar.com.

CORPORATE STRUCTURE

Name, Address and Incorporation
Maple Leaf Foods Inc./Les Aliments Maple Leaf Inc. is incorporated under the Canada Business Corporations Act. It was incorporated on August 13, 1927, although portions of the business originated before 1900. The Company’s registered and principal office is located at 6985 Financial Drive, Mississauga, Ontario L5N 0A1.

Intercorporate Relationships
As at December 31, 2016, no operating subsidiary of the Company had total assets that constituted more than 10% of the consolidated assets of the Company, or total consolidated sales and operating revenues that exceeded 10% of the consolidated sales and operating revenues of the Company.
DESCRIPTION OF CAPITAL STRUCTURE

The authorized share capital of the Company currently consists of an unlimited number of common shares, an unlimited number of non-voting common shares (the “non-voting securities”) and an unlimited number of preferred shares issuable in series. As of February 15, 2017, the issued capital of the Company consisted of 130,772,989 common shares. There are no non-voting common shares and no preferred shares issued and outstanding.

Holders of common shares are entitled to one vote at all meetings of shareholders. In addition, holders of common shares are entitled to dividends if, as and when declared by the board of directors of the Company and, in the event of the liquidation, dissolution or winding-up of its affairs, to a pro rata share of the assets of the Company after payment of all liabilities and obligations of the Company. There are no pre-emptive, conversion or redemption rights attaching to the common shares.

On July 28, 2011, the board of directors of the Company approved and adopted a shareholder rights plan agreement. The shareholder rights plan agreement was subsequently amended and restated on December 5, 2011 (as amended and restated, the “rights plan”). The rights plan is designed to allow the board of directors of the Company and its shareholders sufficient time to consider fully any transaction involving the acquisition or proposed acquisition of 20% or more of the outstanding common shares of the Company. In particular, the rights plan allows the board of directors of the Company time to consider all alternatives to such a transaction and to ensure the fair treatment of shareholders should any such transaction be initiated. The rights plan was not adopted in response to any actual or anticipated transaction. One right has been issued with respect to each common share of Maple Leaf Foods issued and outstanding as of the close of business on July 27, 2011. Should an acquisition or proposed acquisition of 20% or more of the outstanding common shares of the Company occur or be announced, under certain circumstances each right would, upon exercise, entitle a rights holder, other than the acquiring person and related persons, to purchase common shares of Maple Leaf Foods at a 50% discount to the market price at the time. The rights plan was approved by the shareholders of the Company at a special meeting held on December 14, 2011 and accepted by the TSX on December 21, 2011. The rights plan was reapproved by shareholders at the 2014 annual meeting and therefore remains in effect until the close of the annual meeting of shareholders in 2017, unless it is reconfirmed at that meeting.

On February 21, 2017, the Company entered into an amended and restated governance agreement with McCain Capital Inc. and Michael H. McCain that limits their ownership in the Company and ensures that the Company’s board of directors will consist of a majority of independent directors nominated by the Corporate Governance Committee of the Board. In light of these amendments and recent changes in securities law that make certain provisions of the rights plan redundant, the Company has agreed that it will not submit the rights plan for reconfirmation at the Company’s annual meeting in 2017, thereby allowing the rights plan to expire in accordance with its terms at the termination of that meeting. The texts of both the rights plan and the amended and restated governance agreement are available under the Company’s profile on SEDAR at www.sedar.com. A description of the governance agreement is found starting on page 25.

The non-voting securities carry rights identical to those of the common shares except as hereinafter described. Except as required by law, the holders of the non-voting securities as a class are not entitled as such to vote at any meeting of the shareholders of the Company. Further, the holders of the non-voting securities are not entitled to vote separately as a class, and are not entitled to dissent, upon a proposal to amend the articles to (a) increase or decrease any maximum number of authorized non-voting securities resulting from a subdivision or consolidation respectively; (b) increase any maximum number of authorized shares of a class or series of a class having rights or privileges equal or superior to the non-voting securities; (c) effect an exchange, reclassification or cancellation of the non-voting securities; or (d) create a new class or series of a class of shares equal or superior to the non-voting securities, unless the holders of non-voting securities are being affected by such amendment in a manner differently from the holders of common shares. The non-voting securities may be converted at any time by the holder or holders thereof into fully-paid common shares on the basis of one common share for one non-voting security. In addition, if, at any time, a current holder of non-voting securities transfers all or a portion of the non-voting securities held by such holder to another person, the shares being transferred shall be automatically converted upon such transfer into fully-paid common shares of the Company on the basis of
one common share for each non-voting security. The conversion will occur simultaneously upon the
completion of such transfer, without any further action by the Company or any other person, so that the
transferee will be a holder of common shares equal in number to the non-voting securities transferred by
the transferor. The holders of the non-voting securities have no express right to participate in a take-over
bid made for the common shares of the Company. Such holders, however, may convert their non-voting
securities into common shares and participate in a take-over bid in that manner. These non-voting
securities may be considered “restricted securities” under National Instrument 51-102 – Continuous
Disclosure Obligations, as the common shares of the Company which are publicly traded carry a greater
vote per security relative to the non-voting securities (described above).

The preferred shares are issuable in one or more series. As of the date hereof, no series of preferred
shares has been created and no preferred shares have been issued. Each series of preferred shares is to
rank equally with any other series of preferred shares in respect of redemption, the payment of dividends,
the return of capital and the distribution of assets in the event of the liquidation, dissolution or winding up
of the Company, whether voluntary or involuntary. Each series of preferred shares shall have priority over
the common shares, the non-voting securities and any other class of shares of the Company ranking
junior to the preferred shares with respect to redemption, the payment of dividends, the return of capital
and the distribution of assets in the event of the liquidation, dissolution or winding up of the Company.
The preferred shares of any series may also be given such preferences, not inconsistent with the general
provisions of the class, over the common shares, the non-voting securities and over any other class of
shares of the Company ranking junior to the preferred shares, as may be determined by the board of
directors of the Company. The holders of each series of preferred shares shall be entitled to receive
cumulative dividends as and when declared by the board of directors of the Company at a rate per share
per annum as determined by the board of directors of the Company, acting in good faith, provided such
rate per annum does not exceed by more than 2.0% the yield to maturity of an unsecured bond with a
comparable credit rating issued by a “comparable issuer” on the date the rights, privileges, restrictions
and conditions attaching to the shares of such series of preferred shares are determined or such other
date as close as practicable to such date, such bond having the same or as close as possible term to
maturity as is equal to the period until the series of preferred shares are first redeemable in whole or in
part. A “comparable issuer” refers to an issuer selected by the board of directors of the Company as
being comparable to the Company in terms of industry focus and whose outstanding unsecured long-term
debt securities have a comparable credit rating (being a credit rating that is the same or that is the closest
as possible to the credit rating of the outstanding long-term debt securities of the Company). No series of
preferred shares shall be convertible into any other class of shares of the Company. Each series of
preferred shares shall be redeemable by the Company on such terms as determined by the board of
directors of the Company. Holders of preferred shares shall not be entitled to receive notice of, to attend
or to vote at any shareholders’ meeting of the Company except as provided by law, or upon an event of
default by the Company where the board of directors of the Company has not declared the whole
dividend on the particular series of preferred shares in any period and in that event, such holders shall be
entitled to receive notice of, to attend and to vote at the shareholders’ meetings (with one vote for each
share held), which voting rights shall cease upon payment by the Company of the dividend to which
holders are entitled. Whenever a share of any series of preferred shares is to be issued, the total number
of such series of preferred shares to be issued shall be limited such that the aggregate value of all
preferred shares of all series issued and outstanding, including the value of the preferred shares of such
series to be issued (based on the issuance price per share of each preferred share) shall not exceed 25%
of the market capitalization of the common shares (the aggregate value of the common shares and non-
voting securities issued and outstanding calculated based on the volume weighted average trading price
of the common shares on the TSX for the five (5) trading days immediately preceding 5:00 p.m. on the
date on which the board of directors of the Company determines the issuance price per share of the
series of preferred shares to be issued). The holders of preferred shares may not have an express right to
participate in a take-over bid made for the common shares of the Company.

The Company has various government loans on specific projects, with interest rates ranging from non-
interest bearing to 2.9% per annum. These facilities are repayable over various terms from 2022 to 2024.
As at December 31, 2016, $9.9 million (2015: $10.7 million) was outstanding. All of these facilities are
committed.
On June 24, 2016, the Company entered into a new three-year $400.0 million committed revolving credit facility with a syndicate of Canadian, U.S., and international institutions. The new credit facility replaced the Company's $200.0 million revolving credit facility that was due to mature on June 30, 2016. This unsecured facility can be drawn in Canadian or U.S. dollars and bears interest payable monthly, based on Banker's Acceptance and Prime rates for Canadian dollar loans and LIBOR for U.S. dollar loans. The facility is intended to meet the Company's funding requirements for general purposes, and to provide appropriate levels of liquidity. As at December 31, 2016, the Company had drawn only letters of credit of $6.2 million on this facility (2015: $60.3 million on previous facility).

The Company has an additional uncommitted credit facility for issuing up to a maximum of $120.0 million letters of credit. As at December 31, 2016, $63.4 million (2015: $79.4 million) of letters of credit had been issued thereon. These letters of credit have been collateralized with cash, as further described in Note 4 of the Company's 2016 audited consolidated financial statements.

The Company's credit facilities are subject to certain restrictions, including the maintenance of covenants. The Company was in compliance with all of the requirements of these facilities during 2016.

DIVIDENDS

The declaration and payment of dividends is at the discretion of the board of directors of the Company. The board of directors of the Company intends to maintain a stable dividend and, where appropriate, change the dividend on the basis of the stability of the Company's earnings and stock price appreciation. During the fiscal year ended December 31, 2014, the Company declared an aggregate yearly dividend of $0.16 per common share payable quarterly. During the fiscal year ended December 31, 2015, the Company declared an aggregate dividend of $0.32 per common share payable quarterly. On February 29, 2016, the board of directors increased the quarterly dividend to $0.09 per share ($0.36 per annum) commencing with the dividend payable on March 31, 2016 which increased quarterly dividend payment continued through the dividend paid on December 30, 2016. On February 21, 2017 the board of directors increased the quarterly dividend to $0.11 per common share ($0.44 per annum), which will be the regular quarterly dividend payment until the board of directors of the Company determines otherwise. It is also currently anticipated that the full amount of the dividends to be paid in 2017 will be considered eligible dividends for the purposes of the “Enhanced Dividend Tax Credit System”.

MARKET FOR SECURITIES

The Company's common shares are listed on the TSX under the stock market symbol "MFI" and also trade on alternative Canadian marketplaces. The greatest trading volume is on the TSX. The following table outlines the price range and trading volume of the common shares for each month of the last fiscal year on the TSX.

<table>
<thead>
<tr>
<th>Month (2016)</th>
<th>High</th>
<th>Low</th>
<th>Volume Traded</th>
</tr>
</thead>
<tbody>
<tr>
<td>December</td>
<td>$29.2500</td>
<td>$27.6300</td>
<td>5,554,128</td>
</tr>
<tr>
<td>November</td>
<td>$31.5500</td>
<td>$27.6100</td>
<td>5,251,419</td>
</tr>
<tr>
<td>October</td>
<td>$31.5900</td>
<td>$29.6000</td>
<td>2,692,623</td>
</tr>
<tr>
<td>September</td>
<td>$30.6200</td>
<td>$28.3100</td>
<td>3,155,667</td>
</tr>
<tr>
<td>August</td>
<td>$29.9700</td>
<td>$28.3900</td>
<td>3,737,144</td>
</tr>
<tr>
<td>July</td>
<td>$30.7300</td>
<td>$27.2500</td>
<td>3,916,096</td>
</tr>
<tr>
<td>June</td>
<td>$29.7000</td>
<td>$26.3700</td>
<td>5,314,095</td>
</tr>
<tr>
<td>May</td>
<td>$30.1100</td>
<td>$25.9700</td>
<td>8,396,374</td>
</tr>
<tr>
<td>April</td>
<td>$28.3800</td>
<td>$25.8300</td>
<td>5,002,097</td>
</tr>
<tr>
<td>March</td>
<td>$27.4200</td>
<td>$24.5000</td>
<td>11,285,234</td>
</tr>
<tr>
<td>February</td>
<td>$23.8900</td>
<td>$21.9100</td>
<td>5,740,001</td>
</tr>
<tr>
<td>January</td>
<td>$23.7900</td>
<td>$21.8500</td>
<td>5,437,836</td>
</tr>
</tbody>
</table>

DIRECTORS AND OFFICERS

The following table sets forth each director's name and municipality of residence, the year in which he or she became a director, and his or her principal occupation. Directors are elected to hold office until the next annual meeting of the shareholders or until a successor is elected or appointed. The information is given as at February 15, 2017 as follows:

<table>
<thead>
<tr>
<th>Name and Municipality of Residence</th>
<th>Director Since</th>
<th>Principal Occupation</th>
</tr>
</thead>
<tbody>
<tr>
<td>William E. Aziz (1) (4) Oakville, Ontario, Canada</td>
<td>2014</td>
<td>President and Chief Executive Officer BlueTree Advisors II Inc. (private management advisory firm)</td>
</tr>
<tr>
<td>W. Geoffrey Beattie (2) (3) Toronto, Ontario, Canada</td>
<td>2008</td>
<td>Chief Executive Officer Generation Capital (investment management firm)</td>
</tr>
<tr>
<td>Ronald G. Close (1) (2) Toronto, Ontario, Canada</td>
<td>2015</td>
<td>Corporate Director</td>
</tr>
<tr>
<td>David L. Emerson (2) (3) Vancouver, British Columbia, Canada</td>
<td>2012</td>
<td>Corporate Director</td>
</tr>
<tr>
<td>Jean M. Fraser (2) (4) Toronto, Ontario, Canada</td>
<td>2014</td>
<td>Retired Partner Osler, Hoskin &amp; Harcourt, LLP (law firm)</td>
</tr>
<tr>
<td>John A. Lederer (3) (4) Calgary, Alberta, Canada</td>
<td>2016</td>
<td>Corporate Director</td>
</tr>
</tbody>
</table>
Name and Municipality of Residence

Michael H. McCain
Toronto, Ontario, Canada
1995 President and Chief Executive Officer
Maple Leaf Foods

James P. Olson (1) (2)
Sarasota, Florida, U.S.A.
2011 Corporate Director

Carol M. Stephenson (1) (4)
London, Ontario, Canada
2016 Corporate Director

Notes:
(1) Member of Audit Committee. Mr. Aziz is the Committee Chair.
(2) Member of Corporate Governance Committee. Mr. Beattie is the Committee Chair.
(3) Member of Safety and Sustainability Committee. Mr. Olson is the Committee Chair.
(4) Member of Human Resources and Compensation Committee. Ms. Fraser is the Committee Chair.

During the last five years, all of the previously listed directors have been engaged in their present principal occupation, except for:

- Mr. W.G. Beattie was President and Chief Executive Officer of The Woodbridge Company Limited (privately held investment company) until 2012;
- Mr. Emerson was Chairman, Emerson Services Ltd. (privately held professional services corporation) until 2015;
- Ms. Fraser was a partner in Osler Hoskin & Harcourt LLP until her retirement in 2015;
- Mr. Lederer was the Chief Executive Officer of US Foods, Inc. until his retirement in 2015; and,
- Ms. Stephenson was the Dean, Ivey Business School, Western University until her retirement in 2013.

Committees of the Board

The committees’ current membership and Chair and the year the member was first appointed (as a member or Chair) are as follows:

<table>
<thead>
<tr>
<th>Audit Committee</th>
<th>Safety and Sustainability Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>W.E. Aziz (Chair since 2015)</td>
<td>J.P. Olson (Chair since 2015)</td>
</tr>
<tr>
<td>R.G. Close</td>
<td>W.G. Beattie</td>
</tr>
<tr>
<td>J.P. Olson</td>
<td>D.L. Emerson</td>
</tr>
<tr>
<td>C.M. Stephenson</td>
<td>J.A. Lederer</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Corporate Governance Committee</th>
<th>Human Resources and Compensation Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>W.G. Beattie (Chair since 2014)</td>
<td>J.M. Fraser (Chair since 2015)</td>
</tr>
<tr>
<td>R.G. Close</td>
<td>W.E. Aziz</td>
</tr>
<tr>
<td>D.L. Emerson</td>
<td>J.A. Lederer</td>
</tr>
<tr>
<td>J.M. Fraser</td>
<td>C.M. Stephenson</td>
</tr>
</tbody>
</table>
The names, municipalities of residence and principal occupations of the Company’s executive officers and executive officers of principal subsidiaries as at February 15, 2017 are as follows:

<table>
<thead>
<tr>
<th>Name and Municipality of Residence</th>
<th>Position Held with the Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Michael H. McCain</td>
<td>President and Chief Executive Officer</td>
</tr>
<tr>
<td>Toronto, Ontario, Canada</td>
<td></td>
</tr>
<tr>
<td>J. Nicholas Boland</td>
<td>Vice President, Investor Relations</td>
</tr>
<tr>
<td>Toronto, Ontario, Canada</td>
<td></td>
</tr>
<tr>
<td>Bentley A. Brooks</td>
<td>Senior Vice President and General Manager, Poultry</td>
</tr>
<tr>
<td>Oakville, Ontario, Canada</td>
<td></td>
</tr>
<tr>
<td>Rocco Cappuccitti</td>
<td>Senior Vice President and Corporate Secretary</td>
</tr>
<tr>
<td>Richmond Hill, Ontario, Canada</td>
<td></td>
</tr>
<tr>
<td>Christopher P. Compton</td>
<td>Senior Vice President, Foodservice Sales and Marketing</td>
</tr>
<tr>
<td>Oakville, Ontario, Canada</td>
<td></td>
</tr>
<tr>
<td>Stephen L. Elmer</td>
<td>Vice President and Corporate Controller</td>
</tr>
<tr>
<td>Newmarket, Ontario, Canada</td>
<td></td>
</tr>
<tr>
<td>Curtis E. Frank</td>
<td>Senior Vice President, Retail Sales</td>
</tr>
<tr>
<td>Carlisle, Ontario, Canada</td>
<td></td>
</tr>
<tr>
<td>Glen L. Gratton</td>
<td>Vice President, Maple Leaf Agri-Farms</td>
</tr>
<tr>
<td>Grande Pointe, Manitoba, Canada</td>
<td></td>
</tr>
<tr>
<td>Adam J. Grogan</td>
<td>Senior Vice President, Marketing and Innovation</td>
</tr>
<tr>
<td>Toronto, Ontario, Canada</td>
<td></td>
</tr>
<tr>
<td>Ian V. Henry</td>
<td>Senior Vice President, People</td>
</tr>
<tr>
<td>Mississauga, Ontario, Canada</td>
<td></td>
</tr>
<tr>
<td>Randall D. Huffman</td>
<td>Chief Food Safety Officer and Senior Vice President, Operations</td>
</tr>
<tr>
<td>Toronto, Ontario, Canada</td>
<td></td>
</tr>
<tr>
<td>Lynda J. Kuhn</td>
<td>Senior Vice President, Sustainability and Public Affairs</td>
</tr>
<tr>
<td>Acton, Ontario, Canada</td>
<td></td>
</tr>
<tr>
<td>Andreas Liris</td>
<td>Chief Information Officer</td>
</tr>
<tr>
<td>Toronto, Ontario, Canada</td>
<td></td>
</tr>
<tr>
<td>Gary Maksymetz</td>
<td>Chief Operating Officer</td>
</tr>
<tr>
<td>Carlisle, Ontario, Canada</td>
<td></td>
</tr>
<tr>
<td>Rory A. McAlpine</td>
<td>Senior Vice President, Government &amp; Industry Relations</td>
</tr>
<tr>
<td>Oakville, Ontario, Canada</td>
<td></td>
</tr>
<tr>
<td>René R. McLean</td>
<td>Vice President, Business Finance</td>
</tr>
<tr>
<td>Toronto, Ontario, Canada</td>
<td></td>
</tr>
</tbody>
</table>
The principal occupations within the last five years of the executive officers of the Company who have not held their present office for more than five years are as follows:

Mr. B.A. Brooks was Senior Vice President and General Manager, Fresh Poultry (May 2014 to April 2015), Senior Vice President, Fresh Poultry (January 2014 to May 2014) and Vice President, Complexity Management (March 2011 to December 2013);

Mr. C.P. Compton was Senior Vice President, Foodservice (2005 to May 2014);

Mr. C.E. Frank was Vice President and General Manager, Customer Business Development (February 2012 to May 2014) and Senior Director, Customer Business Development (September 2010 to February 2012);

Mr. I.V. Henry was Chief Human Resources Officer and Senior Vice President (2011 to 2013) and Vice President Labour Relations and Corporate Human Resources (2011 to 2013);

Ms. L.J. Kuhn was Senior Vice President, Communications (2010 to 2014);

Mr. A. Liris was Vice President Information Solutions (2010 to 2014);

Mr. G. Maksymetz was President, Maple Leaf Consumer Foods (2010 to 2014);

Mr. R.R. McLean is Vice President Business Finance (2014 to date) and was Senior Vice President Finance, Maple Leaf Consumer Foods (2008 to 2014);

Mr. M. R. Rawle was Vice-President, Treasurer, Uranium One Inc. (July 2013 to June 2015) and Managing Director, African Barrick (Barbados) Corp. (May 2010 to July 2013);

Ms. D.K. Simpson was President Maple Leaf Business Services (2013 to 2014) and Senior Vice President, Finance (2011 to 2013); and

Mr. R. Young was Senior Vice President, Transformation (May 2014 to February 2015) and Executive Vice President, Transformation, Maple Leaf Consumer Foods (February 2010 to May 2014).

Ownership of Voting Securities by Directors and Executive Officers

As at February 15, 2017, the directors and executive officers of the Company, as a group, beneficially own, directly or indirectly, or exercise control or direction over, directly or indirectly, an aggregate of 726,176 common shares, representing approximately 0.56% of the issued and outstanding common shares of the Company. The figure does not include the 46,788,658 common shares (approximately 35.8% of all issued common shares) of the Company reported to be held by McCain Capital Inc., which the Company understands is beneficially owned and controlled by Mr. M.H. McCain.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Within ten years preceding the date of this Annual Information Form:

Mr. William E. Aziz was appointed the Chief Financial Officer of Hollinger Inc. and its subsidiaries from March 2007 to May 2008 and Chief Restructuring Officer of Hollinger Inc. and certain of its subsidiaries since May 2008, which corporation and certain subsidiaries were granted an initial order under the CCAA on August 1, 2007.
When Mr. W.E. Aziz was appointed the Chief Financial Officer of Hollinger Inc. on March 8, 2007, and, as a result of that appointment, he became subject to a management cease trade order (“MCTO”) in respect of Hollinger Inc., which was originally issued on June 1, 2004 by the Ontario Securities Commission and which order remained in place until April 10, 2007, when the MCTO was revoked by the Ontario Securities Commission as a result of Hollinger Inc. filing all documents it was required to file pursuant to Ontario securities laws. Mr. W.E. Aziz was subsequently appointed Chief Restructuring Officer of Hollinger Inc. in May 2008. In 2008 and 2009, respectively, the Ontario and Alberta Securities Commissions issued permanent cease trade orders against Hollinger Inc., with the consent of the company and approved by the Ontario Superior Court of Justice. The orders were imposed due to the failure of Hollinger Inc. to file certain continuous disclosure documents with the Ontario and Alberta Securities Commissions as a result of Hollinger Inc.’s restructuring under the CCAA. The orders remain in effect.

Mr. W.E. Aziz was appointed Chief Restructuring Officer of The Cash Store Financial Services Inc. (“Cash Store”) by Order of the Ontario Superior Court of Justice effective April 14, 2014. On May 30, 2014, the Alberta Securities Commission issued a cease trade order against Cash Store. On May 23, 2014, the TSX delisted the securities of Cash Store for failure to meet the continued listing requirements of the TSX. Cash Store voluntarily withdrew its securities from listing and registration on the New York Stock Exchange effective March 10, 2014.
AUDIT COMMITTEE

Composition of the Audit Committee

The Audit Committee of Maple Leaf Foods consists of the following directors, each of whom has been a member of the committee since the year set out below.

- W.E. Aziz (Chair since 2015) 2014
- R.G. Close 2015
- J.P. Olson 2011
- C.M. Stephenson 2016

Each member of the Audit Committee is independent within the meaning of applicable securities legislation and none receives, directly or indirectly, any compensation from the Company other than for service as a member of the board of directors and its committees. Each member of the Audit Committee is financially literate as defined under National Instrument 52-110 – Audit Committees. In considering the criteria for determining financial literacy, the board of directors of the Company looks at the ability of a director to read and understand a balance sheet, an income statement and a cash flow statement of a company of a complexity comparable to that of the Company.

A copy of the charter of the Audit Committee is attached as Appendix A hereto.

Relevant Education and Experience of Audit Committee Members

W.E. Aziz, C.P.A., C.A.

Through BlueTree Advisors, Mr. Aziz is currently providing his services as Chief Restructuring Officer to U. S. Steel Canada Inc., New Walter Energy Canada Holdings, Inc. and Hollinger Inc. during their restructurings. He is a director of OMERS (where he is Chair of its Investment Committee and a member of its Human Resources Committee). Mr. Aziz was the Chair of the Audit Committee for Canada Bread and has been a member of the Audit Committees of both Tecumseh Products in the United States and Doman Industries in Canada. Mr. Aziz is a graduate of the Ivey School of Business at Western University in Honors Business Administration and is a Chartered Professional Accountant. He has also completed the Institute of Corporate Directors Governance College at the Rotman School of Business, University of Toronto, and is a member of the Insolvency Institute of Canada.

R.G. Close

During his service as an executive of Pelmorex Media, Inc., NXA Inc. (formerly Nextair Inc.), Netcom Canada and AT&T Canada, Mr. Close was closely involved in the preparation and analysis of the financial statements of those corporations. He holds an Honors Business Administration degree from the Ivey School of Business at Western University.

J.P. Olson

Mr. Olson has 35 years’ experience in the food and beverage industry including 17 years in senior executive roles for major global food and beverage manufacturers. He is the retired Senior Vice President, Operations of PepsiCo International (“PepsiCo”), a global food and beverage manufacturer. From 2002 to 2006, he held this position for PepsiCo’s Europe, Middle East and Africa division and was responsible for all manufacturing, distribution, purchasing and engineering of this division. From 1999 to 2002, he served as Vice President, Operations of Ernest & Julio Gallo Winery, the largest global wine production company, where he was responsible for all vineyards, procurement, production, bottling and distribution operations. Additionally, from 1990 to 1992, Mr. Olson served as Vice President of Operations for Frito-Lay Canada.

C.M. Stephenson

Ms. Stephenson is a graduate of the University of Toronto. She completed the Executive Program at the Graduate School of Business Administration, University of California and the Advanced Management Program at Harvard University. Ms. Stephenson was President and Chief Executive Officer of Lucent
Technologies Canada from July 1999 to February 2003. Prior to that, Ms. Stephenson held a number of executive positions with Bell Canada and BCE Media. From 1995 to 1999 she was Chief Executive Officer of Stentor Resource Centre. Ms. Stephenson is a Director of Intact Financial Corporation, Ballard Power Systems Inc. where she serves on the Audit Committee, and General Motors Company.

Fees paid to Auditors – KPMG LLP

The fees paid by the Company for the services performed by KPMG LLP for the years ended December 31, 2016 and 2015 are set out in the table below. Annually, the Audit Committee reviews a summary of the services provided by the auditors to the Company and its subsidiaries. In 2004, the Audit Committee established a policy requiring pre-approval of all non-audit services to be rendered by the external auditors. Any engagement of KPMG LLP by the Company for any non-audit services must be approved in advance by the Audit Committee. Between meetings of the Audit Committee, authority for approval is delegated to the Audit Committee Chairman. Approvals under the delegated authority are presented to the full Audit Committee at their next meeting. The policy also prohibits the engagement of KPMG LLP in a number of services that the Audit Committee believes may have the potential to impact KPMG LLP’s independence.

In the last two years, KPMG LLP has not provided any of the following services to the Company:
(i) bookkeeping services and other services related to accounting records or financial statements;
(ii) financial information systems design and implementation;
(iii) appraisal or valuation services, fairness opinions or contribution-in-kind reports;
(iv) actuarial services;
(v) internal audit outsourcing services;
(vi) management functions;
(vii) human resources;
(viii) broker-dealer, investment advisor or investment banking services; and
(ix) legal services and expert services unrelated to the audit.

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit fees (1)</td>
<td>$ 940,900</td>
<td>$ 968,900</td>
</tr>
<tr>
<td>Audit-related fees (2)</td>
<td>357,770</td>
<td>332,834</td>
</tr>
<tr>
<td>Tax fees (3)</td>
<td>134,087</td>
<td>130,316</td>
</tr>
<tr>
<td>All other fees (4)</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Total fees</td>
<td>$ 1,432,757</td>
<td>$ 1,432,050</td>
</tr>
</tbody>
</table>

Notes:
(1) The audit of annual and review of the quarterly financial statements of Maple Leaf Foods.
(2) Audit-related services consisting primarily of audit procedures for compliance and business purposes including audits of pension plan financial statements, translation services and specified procedures report on turkey, chicken and veal quota and import permits.
(3) For Canadian and international tax advisory and compliance services, and transfer pricing services.
(4) For products and services other than the fees reported in (1) to (3), being advisory services relating to divestitures.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Company is a defendant to certain claims arising in the normal conduct of its business. Management believes that the final resolution of these claims will not have a material adverse effect on the Company’s earnings or financial position. The Company is not subject to any material legal or regulatory actions other than as set out herein.

CONFLICTS OF INTEREST

To the best of the knowledge of the Company, no director or executive officer of Maple Leaf Foods has an existing or potential conflict of interest with the Company or any of its subsidiaries.
INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the best of the knowledge of the Company, except as described in this Annual Information Form, and other than the Governance Agreement described under “Material Contracts” below, no director or executive officer of the Company, nor any person or company that is the direct or indirect beneficial owner of, or who exercises control or direction over, more than 10% of any class of securities of the Company, nor any associate or affiliate of the foregoing persons or companies, has any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Company or any of its subsidiaries. Certain executive officers of the Company (excluding Mr. Michael H. McCain) participated in an incentive plan of the Company in 2014 pursuant to which such officers (solely in their capacity as officers of Maple Leaf Foods) received compensation based on the successful completion of and the sale value of Canada Bread, which compensation was paid by Maple Leaf Foods. Particulars of such compensation paid to certain of the Company’s key executive officers are described in the management proxy circulars prepared in connection with the Company’s annual meeting of shareholders and is available at www.sedar.com.

TRANSFER AGENT AND REGISTRARS

The Company’s transfer agent is Computershare Investor Services Inc., with transfer points for the common shares of the Company in Vancouver, British Columbia; Calgary, Alberta; Toronto, Ontario; and, Montreal, Quebec.

INTERESTS OF EXPERTS

The Company’s independent auditors, KPMG LLP, have delivered an audit report to the Company concerning the consolidated balance sheets of the Company as at December 31, 2016 and 2015, and the consolidated statements of net earnings, other comprehensive income (loss), changes in total equity and cash flow for the years ended December 31, 2016 and 2015. KPMG LLP is an independent auditor with respect to the Company within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada.

MATERIAL CONTRACTS

The following are the only material contracts of the Company, other than those contracts entered into in the ordinary course of business, entered into in the last fiscal year or entered into before or within the last fiscal year but on or after January 1, 2002 and that remain in effect:

(a) an amended and restated governance agreement between the Company, McCain Capital Inc. and Mr. Michael H. McCain, the Company’s President and Chief Executive Officer (together, the “McCain Holders”), dated February 21, 2017 (the “Governance Agreement”) which amends and restates the original governance agreement entered into on July 28, 2011.

The Board determined that it was in the best interests of the Company to amend and restate the governance agreement in order, (i) to allow the Company’s rights plan to expire in accordance with its terms and to eliminate impediments to the accumulation of shares by third parties, (ii) upon the expiry of the Company’s rights plan, to regulate in a similar manner dispositions by Michael H. McCain and McCain Capital Inc. of their shares and to establish a limit on ownership by McCain Capital Inc. and Michael H. McCain of shares and rights and entitles to acquire shares to 45%, (iii) to ensure that the Company’s board of directors will consist of a majority of independent directors nominated by the Corporate Governance Committee, (iv) to give the Board flexibility with respect to share issuances and repurchases and generally with respect to capital allocation decisions, and (v) to address potential intergenerational transfers of the McCain family shareholdings.
More specifically, the Governance Agreement provides:

(i) The McCain Holders will continue to have the right to nominate that number of directors of the Company proportionate to their ownership interest, however, the Governance Agreement now caps the number of nominees of the McCain Holders so that, regardless of the McCain Holder’s ownership interest, the board of directors of the Company will consist of a majority of independent directors nominated by the corporate governance committee of the board.

(ii) All directors nominated by the corporate governance committee of the board of directors of the Company will continue to be, except in certain circumstances, directors independent of the Company and the McCain Holders.

(iii) The McCain Holders are prohibited from acquiring beneficial ownership of, or control or direction over, more than 45% of the outstanding voting shares of the Company (calculated on a modified fully diluted basis) except as a result of the exercise of rights to acquire shares granted under the Company’s equity compensation plans, actions taken by the Company such as an issuer bid, or by way of a permitted take-over bid by the McCain Holders. A permitted take-over bid for purposes of the Governance Agreement is one that is for 100% of the shares not already owned by the McCain Holders and which is otherwise in compliance with applicable law. A partial bid (which may have qualified as a permitted bid under the rights plan) will not constitute a permitted take-over bid for purposes of the Governance Agreement.

(iv) The McCain Holders have agreed that they will not transfer beneficial ownership of, or control or direction over, the outstanding shares held by them to any other person who after the transfer would own 20% or more except in specified circumstances, including pursuant to a take-over bid for 100% of the shares of the Company or pursuant to certain permitted estate planning transactions. Eligible transferees under these estate planning transactions can become parties to the Governance Agreement and succeed to the rights and obligations of the McCain Holders under the Governance Agreement.

(v) The McCain Holders have agreed that they will not enter into lock-up agreements in respect of an acquisition of their shares, except certain permitted lock-up agreements that allow the McCain Holders to terminate their obligations thereunder in order to accept a higher price available for their shares that is higher by a specified percentage pursuant to another transaction.

The Company has agreed that it will not put the rights plan of the Company to shareholders for reconfirmation at the Company’s annual meeting in 2017 (and accordingly, the rights plan will expire in accordance with its terms at the termination of such meeting) and that it will not adopt a new rights plan, by-law or amend an existing by-law or charter provision, or enter into any contract that would reasonably be expected to limit, restrict, delay or impair the exercise of the rights of the McCain Holders under the Governance Agreement except in certain circumstances.

(b) a shareholder rights plan agreement between the Company and Computershare Investor Services Inc. as rights agent, dated as of July 28, 2011 which was amended and restated on December 5, 2011.

c) an acquisition agreement between the Company and Darling International Inc. dated August 23, 2013 respecting the purchase by Darling of the rendering business operating under the “Rothsay Rendering” name, which closed on October 28, 2013.

The settlement agreement previously disclosed between the Company, West Face Capital Inc. and various affiliated entities of West Face Capital Inc. dated February 2, 2011 terminated on November 14, 2016, the effective date of Mr. Gregory A. Boland’s resignation from the Board of Directors of the Company.
Copies of these documents are available on SEDAR at www.sedar.com.

**ADDITIONAL INFORMATION**

Additional information including directors’ and officers’ remuneration and indebtedness, principal holders of the Company’s common shares, securities authorized for issuance under equity compensation plans and interest of insiders in material transactions, if applicable, will be contained in the Notice of Annual and Special Meeting of Shareholders and Management Proxy Circular to be issued in connection with the Annual and Special Meeting of Shareholders to be held on April 27, 2017. Additional financial information is also provided in the Company’s Management’s Discussion & Analysis and consolidated financial statements for the fiscal year ended December 31, 2016. Copies of the foregoing documents may be obtained free of charge, upon request, from the Corporate Secretary of Maple Leaf Foods Inc., at 6985 Financial Drive, Mississauga, Ontario L5N 0A1.

The above information and additional information relating to Maple Leaf Foods is available on SEDAR at www.sedar.com.
APPENDIX “A”

CHARTER OF THE AUDIT COMMITTEE
(The “COMMITTEE”) OF THE BOARD OF DIRECTORS OF
MAPLE LEAF FOODS INC. (THE “CORPORATION”)

Nature and Scope of the Committee

The Committee is a standing committee appointed by the Board of Directors, established to fulfill applicable public company obligations respecting audit committees and to assist the Board of Directors (the “Board”) in fulfilling its oversight responsibilities in the following areas: (i) accounting policies and practices, (ii) the integrity of the Corporation’s financial statements, (iii) compliance with legal and regulatory requirements, (iv) the qualifications, independence, and performance of the external auditors, and (v) the performance of the internal audit function.

The Committee Chair and members are members of the Board, appointed to the Committee to provide broad oversight of the financial reporting, risk and control related activities of the Corporation, and are specifically not accountable or responsible for the day-to-day operation or performance of such activities.

Management is responsible for the preparation, presentation and integrity of the financial statements and for maintaining appropriate accounting and financial reporting principles and policies, systems of risk assessment and internal controls and procedures designed to provide reasonable assurance that assets are safeguarded and transactions are properly authorized, recorded and reported and to assure the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with accounting standards and applicable laws and regulations.

The internal auditor is responsible for monitoring and reporting on the adequacy and effectiveness of the system of internal controls.

The external auditors are responsible for planning and carrying out an audit of the annual consolidated financial statements in accordance with generally accepted auditing standards to provide reasonable assurance that, among other things, such financial statements are in accordance with generally accepted accounting principles. The external auditors are accountable to the Committee and the Board as the representatives of the shareholders of the Corporation and the Committee shall so instruct the external auditors and the external auditors shall report directly to the Committee.

Except as set out below, the Committee does not have decision-making authority but rather conveys its findings and recommendations to the Board for consideration and decision by the Board.

Procedures, Powers and Duties

In addition to the procedures and powers set out in the policy entitled “Composition, Appointment & Practices of Each Committee of the Board of Directors of Maple Leaf Foods Inc.”, as amended, or in any resolution of the Board relating to the Committee, the Committee shall have the following procedures, powers and duties:

1. Composition – The Committee shall be comprised of a minimum of three members. Each member of the Committee shall be both an “unrelated” director and “independent” director as such terms are defined from time to time under the requirements or guidelines for Audit Committee service under applicable securities laws and the rules of any stock exchange on which the Corporation’s securities are listed for trading.

   All members of the Committee must be “financially literate” subject to any available exemption in applicable securities laws as that term is defined from time to time under the requirements or guidelines for Audit Committee service under securities laws and the rules of any stock exchange on which the Corporation’s securities are listed for trading or if it is not so defined as that term is interpreted by the Board in its business judgment.

2. In Camera Meetings – At least annually, the Committee shall hold in camera meetings with each of the head of the internal audit function and the external auditors to discuss any matters that the Committee or each of these groups believes should be discussed privately and such persons shall have unrestricted access to the Committee to bring forward matters requiring its attention.
3. **Professional Assistance** – The Committee may require the external auditors and internal auditors to perform such supplemental reviews or audits as the Committee may deem desirable. In addition, the Committee may retain such special legal, accounting, financial or other consultants and determine their compensation as the Committee may determine to be necessary to carry out the Committee’s duties at the Corporation’s expense and will inform the Chair of the Corporate Governance Committee of any such retainer.

4. **Reliance** – Absent actual knowledge or belief to the contrary which shall be promptly reported to the Board, each member of the Committee shall be entitled to rely on (i) the integrity of those persons or organizations within and outside the Corporation from which it receives information, (ii) the accuracy of the financial and other information provided to the Committee by such persons or organizations and (iii) representations made by management and the external auditors as to any non-audit services provided by the external auditors to the Corporation and its subsidiaries.

5. **Reporting to the Board** – The Committee will report through the Committee Chair to the Board following meetings of the Committee on matters considered by the Committee, its activities and compliance with this Charter.

The Committee will:

1. **Internal controls** – Review and discuss with management, the external auditors and the internal auditors as it deems necessary and exercise oversight with respect to:
   - The adequacy and effectiveness of the system of internal accounting and financial controls and the recommendations of management, the external auditors and the internal auditors for the improvement of accounting practices and internal controls;
   - Any material weaknesses in the internal control environment, including with respect to computerized information system controls and security; and
   - Management’s compliance with the Corporation’s processes, procedures and internal controls.

2. **Regulatory agency reviews** – Review the findings of any examination by regulatory agencies concerning financial matters of the Corporation and make recommendations to the Board related thereto.

3. **Appointment of external auditors** – With respect to the appointment and oversight of the external auditors:
   - Make recommendations to the Board on the external auditors for the purpose of preparing or issuing an audit report or performing other audit, review or attest services of the Corporation to be nominated in the Corporation’s proxy circular for appointment or reappointment by shareholders;
   - Make a recommendation to the Board for the approval of compensation for the external auditors; and
   - Review, evaluate and approve the terms of engagement, performance, audit scope and approach to the conduct of the external auditors with respect to the annual audit.

4. **Independence of external auditors** – Review the independence of the external auditors and make recommendations to the Board on actions the Committee deems necessary to protect and enhance the independence of the external auditors. In connection with such review, the Committee:
   - Shall actively engage in a dialogue with the external auditors about all relationships or services that may impact the objectivity and independence of the external auditors;
   - Shall require that the external auditors submit to it on a periodic basis, and at least annually, a formal written statement delineating all relationships between the Corporation including its subsidiaries, and the external auditors including their affiliates;
   - Shall review and approve clear policies for hiring by the Corporation of employees or former employees of the current or former external auditors;
   - May approve policies and procedures for the pre-approval by a Committee member of any non-audit services to be rendered by the external auditors which the external auditors are not
otherwise prohibited from providing and which policies and procedures shall include reasonable detail with respect to the services covered, provided that the pre-approval of non-audit services by a Committee member with delegated authority must be presented to the full Committee at its next scheduled meeting. For greater certainty, all non-audit services to be provided to the Corporation or any of its affiliates by the external auditors or any of their affiliates which are not covered by pre-approval policies and procedures approved by the Committee shall be subject to pre-approval by the Committee; and

(e) Shall review and approve the disclosure in the annual information form and management proxy circular of the fees paid in the financial year to the external auditors by category.

5. **Internal auditors** – Review the organizational structure, independence and qualifications of the internal audit department and its resources, the internal audit plans and their implementation.

6. **Internal audit function** – Oversee and monitor the internal audit function including:

(a) Meeting periodically with the internal auditors to discuss the progress of their activities and any significant findings stemming from internal audits and any difficulties or disputes that arise with management and the adequacy of management’s responses in correcting audit-related deficiencies; and

(b) Reviewing summaries of reports to management prepared by the internal auditors and have available the full reports, communicate with the internal auditors with respect to their reports and recommendations as necessary with respect to the extent to which prior recommendations have been implemented, management’s responses to such reports and any other matters that the internal auditor brings to the attention of the Committee.

7. **External audits** – Oversee and monitor external audits, including:

(a) Reviewing with the external auditors, the internal auditors and management the audit function generally, the objectives, staffing, locations, co-ordination, reliance upon management and internal audit and general audit approach and scope of proposed audits of the financial statements, the overall audit plans, the responsibilities of management, the internal auditors and the external auditors, the audit procedures to be used and the timing and estimated budgets of the audits;

(b) Discussing with the external auditors any difficulties or disputes that arose with management or the internal auditors during the course of the audit and the adequacy of management’s responses in correcting audit-related deficiencies and resolve any outstanding disputes;

(c) Taking such other reasonable steps as the Committee may deem necessary to satisfy itself that the audit was conducted in a manner consistent with all applicable legal requirements and auditing standards of applicable professional or regulatory bodies; and

(d) Reviewing and resolve any disagreements between management and the external auditors regarding financial reporting or the application of any accounting principles or practice.

8. **Accounting principles and policies** – Oversee, review and discuss, as the Committee deems necessary, with management, the external auditors and the internal auditors, the Corporation’s accounting principles and policies, including:

(a) **Selection** – the appropriateness and acceptability of the Corporation’s accounting principles and practices used in its financial reporting, changes in the Corporation’s accounting principles or practices and the application of particular accounting principles and disclosure practices by management to new transactions or events;

(b) **Significant financial reporting issues** – all significant financial reporting issues and judgments made in connection with the preparation of the financial statements and any “second opinions” sought by management from an independent auditor with respect to the accounting treatment of a particular item;

(c) **Disagreements** – disagreements between management and the external auditors or the internal auditors regarding the application of any accounting principles or practices;
(d) **Material change or proposed change** – any material change or proposed change to the Corporation’s accounting principles and practices;

(e) **Changes in regulatory and accounting requirements** – the effect of changes in regulatory and accounting requirements;

(f) **Legal matters, claims and contingencies** – any legal matter, claim or contingency that could have a significant impact on the financial statements, the Corporation’s compliance policies and any material reports, inquiries or other correspondence received from regulators or governmental agencies and the manner in which any such legal matter, claim or contingency has been disclosed in the financial statements;

(g) **Pro forma or adjusted information** – the use of any “pro forma” or “adjusted” information not in accordance with generally accepted accounting principles; and

(h) **Goodwill impairment** – management’s determination of goodwill impairment, if any, as required by applicable accounting standards.

9. **Interim financial results** – Prior to the release of any summary of interim financial results, including any associated press release, or the filing of such reports with the applicable regulators, review with the external auditors and management the interim consolidated financial statements and related MD&A and associated press release and approve for release.

10. **Annual audited consolidated financial statements** – Review with the external auditors and management the annual audited consolidated financial statements and related MD&A and associated press release, and report on the results of such review to the full Board prior to the approval and release to shareholders of such results by the Board.

11. **Prospectuses and information circulars** – Review with the external auditors and management, financial information contained in any prospectus or information circular of the Corporation, and make recommendations regarding approval to the Board. The Committee shall also periodically assess the adequacy of the procedures in place for the review of the Corporation’s public disclosure of financial information extracted or derived from financial statements and MD&A.

12. **Communications between management, the internal and external auditors** – Provide an open avenue of communication between management, the internal auditors, the external auditors and the Board.

13. **Independent investigations** – Conduct independent investigations into any matters which come under its scope of responsibilities.

14. **Pension plans** – With respect to pension plans:
   (a) **Investment objectives, policies and asset investment mix** – Receive the recommendation of the Pension Investment Advisory Committee (of management) investment objectives, policies and asset investment mix and make recommendations to the Board.
   (b) **Engage investment managers** – Receive the recommendation of the Pension Investment Advisory Committee and approve the engagement and termination of investment management suppliers.
   (c) **Pension plan performance** – Receive reports from the Pension Investment Advisory Committee on pension fund performance and make reports to the Board.
   (d) **SIP&P** – Receive the recommendation of the Pension Investment Advisory Committee and approve the filing of the SIP&P.
   (e) **Pension Investment Advisory Committee** – Oversee the activities of the Pension Investment Advisory Committee.

15. **Other reports of the external auditors** – Review and discuss all reports which the external auditors are required to provide to the Committee or the Board under rules, policies or practices of professional or regulatory bodies applicable to the external auditors and any other reports which the Committee may require with the external auditors.
16. **Complaints regarding accounting, controls or audit matters** – Establish and monitor procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or audit matters and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters and review periodically with management and the internal auditors these procedures and any significant complaints received.

17. **Financial risk exposures** – Meet periodically with management to review and discuss the Corporation’s major financial risk exposures and the policy steps management has taken to monitor and control such exposures, including the use of financial derivatives and hedging activities.

18. **Audit committees of material subsidiaries** – Receive and review the minutes of meetings of the audit committees of material subsidiaries of the Corporation.

19. **Other delegated matters** – Review and/or approve any other matter specifically delegated to the Committee by the Board and undertake on behalf of the Board such other activities as may be necessary or desirable to assist the Board in fulfilling its oversight responsibilities with respect to financial matters.

**The Charter**

20. **Charter review** – The Committee shall review and reassess the adequacy of this Charter at least annually and otherwise as it deems appropriate and recommend changes to the Corporate Governance Committee.

21. **Committee performance** – Annually, the Committee shall evaluate its performance with reference to this Charter and the results of its evaluation shall be submitted to the Corporate Governance Committee.

22. **Disclosure of Charter** – The Committee shall ensure that this Charter is disclosed on the Corporation’s website and that this Charter is disclosed in the annual information form of the Corporation in accordance with all applicable securities laws or regulatory requirements.