# MAPLE LEAF FOODS INC.

ANNUAL INFORMATION FORM

February 20, 2018

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Unless otherwise indicated, the information in this Annual Information Form is given as of December 31, 2017 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 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, objectives, expectations, anticipations, estimates, and intentions. Specific forward-looking information in this document includes, but is not limited to, statements with respect to: expectations regarding the use of derivatives, futures and options; the expected use of cash balances; the payment of dividends; 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; and expectations regarding outcomes of legal actions. 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; 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 concentration of production in fewer facilities;
- risks associated with the availability of capital;
- risks associated with changes in the Company’s information systems and processes;
- risks associated with cyber threats;
- 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;
- 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 19 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 Inc. is a leading consumer protein company with revenues of approximately $3.5 billion in fiscal 2017. It makes high quality, innovative products under national brands including *Maple Leaf*®, *Maple Leaf Prime*®, *Maple Leaf Natural Selections*®, *Schneiders*®, *Schneiders*® *Country Naturals*®, *Mina*® and *Lightlife*™. The Company's portfolio includes prepared meats, ready-to-cook and ready-to-serve meals, valued-added fresh pork and poultry and plant protein products. The Company employs approximately 11,500 people and does business in Canada, the U.S. and Asia. The Company is headquartered in Mississauga, Ontario and its shares trade on the Toronto Stock Exchange (MFI).

Following the sale of the bakery and rendering businesses, the Company has undertaken significant reorganization of the internal leadership and reporting structure as previously disclosed in its Management Discussion and Analysis available on SEDAR at www.sedar.com or at www.mapleleaffoods.com. The reorganization is now complete and the Company is arranged as a single, focused protein company. As such, the Company has transitioned to a single reporting segment for financial disclosure purposes.

## GENERAL DEVELOPMENT OF THE BUSINESS

### Three-Year History – General

For the three years ended December 31, 2017, the Company has been affected by a number of factors, changes and initiatives including:

1. Completion of a significant reorganization of the supply chain, internal leadership and reporting structure;
2. The Company's acquisition of plant protein production businesses;
3. Implementation of sustainability priorities and objectives; and
4. The impact of changes in the price of key inputs including pork, corn and fuel costs, the impact of currency changes and the ability of the Company to adjust prices in response to these changes.

*Reorganization of Supply Chain, Internal Leadership and Reporting Structure*
Following the sale of the bakery and rendering businesses, the Company undertook significant reorganization of the internal leadership and reporting structure, as previously disclosed. From 2010 to 2015, the Company consolidated and upgraded its prepared meats manufacturing network. The Company also reconfigured its distribution systems for prepared meats into two large distribution centres. The reorganization is now complete and the Company is arranged as a single, focused protein company. As such, the Company has transitioned to a single reporting segment.

*Acquisition of Plant Protein Production Businesses*

In 2017, the Company expanded further into the plant protein business with the acquisition of Lightlife Foods Holdings, Inc. (“Lightlife”), a privately held U.S. based corporation engaged in the production and distribution of plant protein products. On January 29, 2018, the Company completed the acquisition of 100% of the outstanding shares of The Field Roast Grain Meat Company SPC (“Field Roast”), a privately held U.S. based corporation engaged in the production and distribution of premium grain-based protein and vegan cheese products. See “Acquisitions, Dispositions and Capital Expenditures”.

*Company Vision and Strategic Plan*

For the past several years, Maple Leaf Foods has been engaged in the execution of a multi-year transformative strategy to reduce complexity and transform the Company’s manufacturing and distribution network.

Successful execution of this strategy resulted in a step-change in structural profitability, surpassing our strategic margin target in 2016 of 10% Adjusted EBITDA compared to historical average Adjusted EBITDA margin of approximately 3.5% between 2005 and 2012. In 2017, Adjusted EBITDA margin increased to 10.8%

In 2017, following a comprehensive process, Maple Leaf Foods defined its vision to become the most sustainable protein company on earth, and its purpose to Raise the Good in Food. This vision and purpose is consistent with investments the Company has been making for several years, and a core conviction that its emerging North American leadership in sustainability can strategically differentiate the organization and create significant commercial and social value.

Maple Leaf Foods believes it can further increase structural profitability over the next five years with an aspirational goal of 14-16% Adjusted EBITDA margin, and has developed a comprehensive strategic plan with six priorities to achieve its vision and growth agenda.

*Maple Leaf Foods’ Strategic Priorities*

*Lead in sustainability*

Maple Leaf Foods takes a broad perspective to advancing its leadership in sustainability. The Company is pursuing a comprehensive strategy and actions across four sustainability pillars that encompass all facets of its business: Better Food, Better Care, Better Communities and Better Planet. Building leadership in sustainability is a competitive advantage for the Company, as the market increasingly seeks suppliers who produce protein with the highest standards of nutrition, animal care, social engagement and environmental sustainability.

As consumers increasingly focus on what is in their food and how it is produced, there is significant opportunity in building leadership in sustainability by producing more natural, nutritious foods; lending our voice and resources to address the critical issue of food security; continually enhancing a strong animal care program; and eliminating waste. In 2017, the Company made considerable progress in executing its sustainability priorities identified for each of its four pillars.

*Invest in our people*

Maple Leaf Foods is committed to being a destination for top talent, supported by career and leadership development, training and developing a formalized diversity and inclusion strategy. The Company values a strong workplace and 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 also implementing a multi-year diversity and inclusion strategy, including a goal to have 50% gender equality at the manager level and above within the next five years.

*Make great food*

Maple Leaf Foods has a leading portfolio of brands with the number one or number two market share in their respective product categories. The Company is deeply connecting with consumers by offering great food choices and options. In 2017, the Company commenced an initiative to renovate its prepared meats portfolio across multiple dimensions, including taste, nutrition, affordability and sustainability to accelerate growth in this core segment of the Company's product portfolio. The results of this comprehensive initiative will materialize in 2018 through well-defined positioning for the *Maple Leaf*®, *Schneiders*® and *SWIFT*® brands, supporting clearly aligned brand attributes. More than 900 unique products have been reformulated as part of this commercial strategy to align core flagship brands with demand spaces.

*Broaden our reach*

Maple Leaf Foods is expanding its presence in the United States with sustainable protein a core growth platform. This includes a portfolio of products that combine the Company's advancements in raised without antibiotics, animal care, and environmental sustainability. To diversify its portfolio into other high growth markets, Maple Leaf Foods has been building leadership in plant protein with the acquisition of Lightlife in 2017 and with the acquisition of The Field Roast Grain Meat Company SPC ("Field Roast") in early 2018. The Company continues to identify both organic and acquisition opportunities that expand the Company's business outside of Canada.

*Build a digital future*

Technology is leading to new ways of working, of operating more effectively and of engaging with suppliers and customers in most industries, including the food sector. Maple Leaf Foods has commenced developing a digital roadmap to introduce new ways of working, innovating and collaborating. The digital roadmap's focus includes exploring new technologies to streamline operations, improve safety in all areas, reduce waste and improve animal care. The Company is leveraging insights, data visualization and analytics to enhance its capabilities to engage with suppliers and customers.

*Eliminate waste*

Maple Leaf Foods has embedded a rigorous and disciplined cost culture throughout the organization and continues to seek out opportunities to eliminate waste from its supply chain. This is supported by zero-based budgeting, strategic sourcing, 'cost-gates' that define thresholds across key functions, and improved operating efficiencies through waste reduction and energy and water conservation initiatives.

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

In aggregate for 2017, the market influences for the entire pork value chain were consistent with the long-term averages. 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 2017.

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. In 2017 and 2016, U.S. average corn prices were stable, down from the average prices in 2015.

The prepared meats operation 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*

A portion of the Company’s revenues and costs are either denominated in or directly linked to other currencies (primarily U.S. dollars and Japanese yen). In periods when the Canadian dollar has appreciated both rapidly and materially against these foreign currencies, revenues linked to U.S. dollars or Japanese yen are immediately reduced, while the Company’s ability to change prices or realize natural hedges may lag the immediate currency change. The effect of such sudden changes in exchange rates can have a significant immediate impact on the Company’s earnings. Due to the diversity of the Company’s operations, normal fluctuations in other currencies do not generally have a material impact on the Company’s profitability in the short term due to either natural hedges and offsetting currency exposures (for example, when revenues and costs are both linked to other currencies) or the ability in the near term to change prices of its products to offset adverse currency movements. However, as the Company competes in international markets, and faces competition in its domestic markets from U.S. competitors, significant changes in the Canadian to U.S. dollar exchange rate can have, and have had, significant effects on the Company’s relative competitiveness in its domestic and international markets, which can have, and have had, significant effects on the Company’s financial condition and results of operations.

The Canadian dollar, on average, strengthened relative to the U.S. dollar by 1.5% in 2017. The Canadian dollar weakened relative to the U.S. dollar by 3.1% in 2016 and 16.4% in 2015, which did not have a material impact on earnings.

In the short-term, a stronger Canadian dollar compresses the Company's export margins. A stronger Canadian dollar decreases the cost of raw materials and ingredients in the domestic business. The business is able to react to changes in input costs over time through pricing, cost reduction, or investment in value-added products. However, over the longer-term, a stronger Canadian dollar reduces the relative competitiveness of the domestic Canadian packaged goods operation, as imports of competing products from the U.S. become more competitive. Conversely, the Company has a greater ability to expand into the U.S. market with a stronger Canadian dollar.

Conversely, a weaker Canadian dollar increases the cost of raw materials and ingredients in the domestic 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.

During 2017, the Japanese yen, on average, declined in value relative to the Canadian dollar by 5.3%. 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. None had a material impact on earnings. In general, a decline in the Japanese yen compresses export margins to Japan. 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.

*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 high 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.

***Acquisitions, Dispositions and Capital Expansions***

The specific acquisitions, dispositions, capital expansions and conditions that have influenced the general development of the Company's business over the last three fiscal years are discussed below.

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.

Starting in 2010, the Company embarked upon a multi-year plan to modernize and consolidate the prepared meats supply chain. The total investments related to this plan were approximately $1 billion and the elements of the plan were substantially complete as of the end of 2016.

The Company built a 400,000-square foot fully operational scale plant in Hamilton, Ontario that is focused on production of wieners and deli meats. The transfer of production and closure of legacy plants was completed in 2015. During 2016 and 2017, 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. These changes have increased the Company's operating efficiencies and lowered costs.

The Company's strategy for pork production is to supply pork for the Company's prepared meats operations. In 2017, the Brandon, Manitoba and Lethbridge, Alberta plants processed an aggregate of approximately 74,900 hogs per week, up from the 74,800 hogs per week processed in 2016 and 73,300 hogs per week processed in 2015.

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.

During 2017 the Company sold a redundant property in North Battleford, Saskatchewan. In September 2017, the Company sold its Kitchener legacy plant.

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, process the Company's supply of live turkeys. In this way, the Company will maintain its supply of fresh turkey meat for further processing.

The Company invests capital in its facilities to maintain and improve its production network.

On March 10, 2017, the Company completed the acquisition of 100% of the outstanding shares of Lightlife, a privately held U.S.-based corporation engaged in the production and distribution of plant protein products. This acquisition added to the Company's existing line of plant proteins under the *Oh Naturel!*® brand. Lightlife has a leading market share in plant protein products and is expected to provide the Company with a strong position in this fast-growing product line. The purchase price was US$140.0 million prior to transaction fees, debt settlement, and working capital adjustments.

On January 29, 2018, the Company completed the acquisition of 100% of the outstanding shares of Field Roast, a privately held U.S.-based corporation engaged in the production and distribution of premium grain-based protein and vegan cheese products. The purchase price was US$120.0 million prior to transaction fees, debt settlement, and working capital adjustments.

In 2017, as in previous years, the Company continued to streamline its operations to reduce costs. It also continued to make investments to produce hogs without antibiotics to satisfy demand for its meat products that have that characteristic and in barns and facilities that promote higher levels of humane treatment of animals.

The number of finished hogs produced by the Company was approximately 1.61 million in 2017. This compares with 1.55 million in 2016 and 1.47 million in 2015. The Company effectively owned 41% of the hogs that it processed in its facilities in 2017. In 2016 and 2015, the Company effectively owned 41% and 39% respectively of the hogs that it processed in its facilities.

On May 1, 2017, the Company acquired specific assets, liabilities and assembled workforce from a privately-held hog production operation for total consideration of $10.3 million. On October 6, 2017, the Company acquired additional barns for a total consideration of $15.0 million.

*Normal Course Issuer Bids*
On May 17, 2017, the Toronto Stock Exchange ("TSX") accepted the Company's notice of intention to commence a Normal Course Issuer Bid ("NCIB"), which allows the Company to repurchase, at its discretion, up to 8.20 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 cancelled. The program commenced on May 23, 2017 and will terminate on May 22, 2018, or on such earlier date as the Company completes its purchases pursuant to the notice of intention. During the year ended December 31, 2017, 2.33 million shares were purchased for cancellation under this NCIB for $77.4 million at a volume weighted average price paid of $33.25 per common share.

On May 16, 2016, the TSX accepted the Company's notice of intention to commence a NCIB, which allowed the Company to repurchase, at its discretion, up to 8.70 million common shares in the open market or as otherwise permitted by the TSX, subject to the normal terms and limitations of such bids. The program commenced on May 19, 2016 and was terminated on May 18, 2017 as the Company completed its purchase and cancellation of 5.52 million common shares for $163.1 million at a volume weighted average price of $29.57 per common share. During the year ended December 31, 2017, 3.41 million shares (2016: 2.11 million) were purchased for cancellation under this NCIB for $102.6 million (2016: $60.5 million) at a volume weighted average price paid of $30.09 (2016: $28.74) per common share.

On March 23, 2015, the TSX accepted the Company's notice of intention to commence a 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. 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 weighted average price paid of $22.48 per common share. During the year ended December 31, 2016, 0.51 million shares were purchased for cancellation under this NCIB for $11.9 million at a volume weighted average price paid of $23.23 per common share.

# DESCRIPTION OF THE BUSINESS

Maple Leaf Foods believes that its portfolio of brands, product lines and selling channels provides the Company with a diversified revenue stream.

While the primary processing operations of the meat protein product lines are somewhat cyclical, the meat protein product lines are typically not. As a result, the results of the non-cyclical operations provide an offset to the results of the cyclical operations. Although the Company has produced and sold plant protein products in the Canadian market for many years, in 2017 and 2018 it added to this line of products with the acquisition of Lightlife and Field Roast, both of which are US based corporations.

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 portion of the Company's meat protein products sales is derived from international markets such as the United States and Japan. Its plant protein products sales are primarily in the United States and Canada. Maple Leaf Foods' customers include retail and food service outlets, and other food processors. Substantially all of the hogs produced by the Company are transferred internally to the primary hog processing plants. The Company has a small amount of external feed and hog sales.

Except as noted below, the Company does not have any customer representing more than 10% of sales. For the year ended December 31, 2017, the Company reported sales to one customer representing approximately 12.0% of total sales and sales to a second customer representing approximately 10.3% of total sales. For the year ended December 31, 2016, the Company reported sales to one customer representing approximately 13.2% of total sales and for the year ended December 31, 2015, sales to one customer representing 14% of total sales. Maple Leaf Foods' largest customers typically purchase many different food products from the Company.

*General*

The meat protein product lines include 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*®, *Swift*®, *Mina*®, *Devour*™ and many leading regional brands. The Company's plant protein lines include plant protein meats, pastas, bowls and snacks, appetizers, entrees and vegan cheese which are sold under the brands *Oh Naturel!*® and *Lightlife*™ and in 2018 *Field Roast*™ and *Chao*™.

Meat and plant protein products are sold to consumers through retailers, food service and industrial channels. The Company also operates an international export business through a network of four offices located in Canada, Korea, Japan and China, 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 for meat protein products across Canada with a sales organization across both Canada and the United States. The plant protein products are produced and sold primarily in 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 other established and new brands such as *Pepperettes®*, *Hot Rod®*, *Maple Leaf Natural Selections®*, *Schneiders® Country Naturals®*, *Mina®*, *Oh Naturel!®*, *Devour™*, *Lightlife™*, *Field Roast™*, *Chao™* and *Greenfield Natural Meat Co.®* The new products are derived from chicken, pork, turkey, beef and plant protein and include fresh and frozen meat offerings, ready-to-heat refrigerated entrees, family-size deli offerings, ethnic offerings, lunch kits and fresh protein snacks.

The Company's hog production operations have approximately 200 production locations in Manitoba and Saskatchewan, with approximately 67,000 sows under management at the end of 2017. 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 the Company. 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 675,000 tonnes of animal feed annually, primarily used to feed the Company's hogs.

In 2017, the Company produced approximately 1.61 million hogs compared to 1.55 million hogs in 2016 and 1.47 million in 2015. In 2017, the Company effectively owned approximately 41% of the hogs that it processed in its hog slaughter facilities.

*Principal Products and Markets*

The Company's products include bacon, hams, wieners, 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 sausages, 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™*, *Swift®*, *Mina®*, *Greenfield Natural Meat Co.®*, *Devour™*, *Shopsy's®*, *Hygrade®* and other leading regional brands, as well as supplying private label brands. The Company's plant protein lines include plant protein meats, pastas, bowls and snacks, appetizers, entrees and vegan cheese under the *Oh Naturel!®*, and *Lightlife™* brands and in 2018 *Field Roast™* and *Chao™*. The Company markets its products to major grocery store chains, independent grocery outlets, large discount stores and retail and wholesale buying groups. Its plant based products are also sold to natural-food grocery store chains. 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*® and *Mina*® brands as a value-added branded line of fresh poultry products. Turkey is sold under the *Maple Leaf Prime*® brand. 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 sourced 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. In 2017 the Company effectively owned 41% of the hogs that it processed in its hog slaughter facilities, unchanged from 2016. 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.

The Company's plant protein products are made primarily from soy beans and wheat sourced directly from a global network of suppliers which are subject to stringent product specifications. The input prices are stable and not usually susceptible to commodity price swings.

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 production of the Company's primal and prepared meats products are readily available.

The Company 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 hog operations. The mills purchase grains and pre-mixes to manufacture finished feed rations, both of which are readily available.

*Markets and Competition*

The Company’s meat protein products currently hold the number one or number two national market share position in almost all of its core product lines. In the United States, the plant protein product lines hold number one or number two national market share positions. 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 market for plant protein is growing rapidly and new competitors are entering the market. 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 throughout the pork and poultry value chain.

The Company is sufficiently large and diversified, with a balanced portfolio, that seasonal factors within various parts of its operations tend to offset each other; therefore, in isolation, they do not have a material impact on the Company’s consolidated earnings. For example, in general, margins on fresh pork products tend to be higher in the last half of the year when hog prices historically decline which in turn depresses earnings from raising hogs, maintaining balance within the Company's pork complex. Strong demand for grilled meat products positively affects products such as wieners and fresh sausages in the summer, while back-to-school promotions support increased sales of sliced meats and lunch items in the fall. Higher demand for turkey and ham products occurs in the spring and fourth quarter holiday seasons.

The hog growing operations face competition from other hog production systems for nursery and finishing barn spaces.

## FOREIGN OPERATIONS

In 2017 the Company derived approximately 75% of its revenue from sales in Canada, approximately 10% from sales in Japan and approximately 8% 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, Japan, Korea and China that are 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 that are produced in Canada to customers 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 majority of the Company's plant based protein production facilities and sales are in the United States. 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 protein and plant protein product lines are presented below.

| | |
|---|---|
| *Maple Leaf®* | *Larsen®* |
| *Maple Leaf Prime®* | *Cappola™* |
| *Maple Leaf Natural Selections®* | *Holiday®* |
| *Schneiders®* | *Ready Crisp®* |
| *Schneiders® Country Naturals®* | *Klik®* |
| *Greenfield Natural Meat Co. ®* | *"Kam"®* |
| *Mina®* | *Burns®* |
| *Lunch Mate™* | *Olympic®* |
| *Top Dogs™* | *Parma®* |
| *Shopsy's®* | *Sunrise®* |
| *Mitchell's Gourmet Foods™* | *Pepperettes®* |
| *Swift®* | *Hot Rods®* |
| *Mère Michel®* | *Devour™* |
| *Maple Leaf Canadian Craft™* | *Lightlife™* |
| *Maple Leaf Big Stick!®* | *Field Roast™* |
| *Hygrade®* | *Chao™* |

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 and Sustainability Committee of the Board of Directors of the Company. The Environmental Sustainability Commitment can be found on www.mapleleafsustainability.ca.

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 program is monitored on a regular basis by the Safety and Sustainability Committee, including compliance 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 operations on the environment. When decommissioning facilities, all environmental assessments required to ensure that potential environmental matters are appropriately addressed during decommissioning activities are completed.

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 the Company's 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 and 20% by 2020 in three key areas: energy usage and emissions reductions, water usage and waste reduction. The Company has developed environmental sustainability action plans at every operation to deliver on its environmental goals. By the end of 2016 the Company reduced its usage intensities of energy (electricity and natural gas) by 27.6%; water by 20.9%; $CO_2$ emissions by 33.2%, and recorded a solid waste diversion from landfill of 91.5%. Energy and water usage and emissions and waste reduction data for 2017 have not been tabulated as at the date of this AIF.

Expenditures related to current environmental requirements are not expected to have a material effect on the financial position or earnings of the Company. However, there can be no assurance 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 (including regulations or taxes introduced by governments or other regulatory bodies in response to the risks posed by climate change) or the occurrence of an adverse event at one of the Company's locations. The Company currently has a provision of $4.8 million related to expected environmental remediation costs. Please refer to Note 12 of the Company's 2017 audited consolidated financial statements for additional information.

## EMPLOYEE RELATIONS

As of December 31, 2017, the Company employed approximately 11,500 people of which about 7,800 were covered by some 22 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 2018 include: the pork facility in Lethbridge, Alberta; the distribution centre in Saskatoon, Saskatchewan; the poultry facilities in Brampton and Toronto, Ontario; and the power engineers supporting the Hamilton, Ontario prepared meat facility.

## RISK FACTORS

The Company operates in the food processing and agricultural businesses, and is therefore subject to risks and uncertainties related to this business that may have adverse effects on the Company's results of operations and financial condition. Further, through the normal course of business the Company is exposed to financial and market risks that have the potential to affect its operating results.

These risks and uncertainties, along with others risks and uncertainties not currently known to the Company or that the Company currently considers immaterial, could materially and adversely affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking information, including any financial outlooks, relating to the Company. The identified risks and uncertainties are described under the headings "Financial Instruments and Risk Management Activities" and "Risk Factors" in the Company's Management's Discussion and Analysis ("MD&A") for the fiscal year ended December 31, 2017 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 and most recently underwent a short-form vertical amalgamation on January 1, 2010. The Company's registered and principal office is located at 6985 Financial Drive, Mississauga, Ontario L5N 0A1.

*Intercorporate Relationships*

As at December 31, 2017, 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 13, 2018, the issued capital of the Company consisted of 127,147,389 common shares. There are no non-voting securities 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 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. As a result of entering into the amended and restated governance agreement and changes in securities law, the shareholder rights plan agreement that had been in place since 2011 (as amended and restated, the "rights plan") was allowed to expire in accordance with its terms at the termination of the Company's annual meeting in 2017. The text of the amended and restated governance agreement is available under the Company's profile on SEDAR at www.sedar.com. A description of the amended and restated governance agreement is found starting on page 34.

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, 2017, $9.2 million (2016: $9.9 million) was outstanding. All of these facilities are committed.

On October 19, 2017, the Company amended its existing $400.0 million committed revolving credit facility by extending the maturity of the facility to October 19, 2021 under similar terms and conditions using the same syndicate of Canadian, U.S., and international institutions. 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, corporate development activities, and to provide appropriate levels of liquidity. As at December 31, 2017, the only drawings on the facility were letters of credit of $6.4 million (2016: $6.2 million).

The revolving term facility requires the maintenance of certain covenants. As at December 31, 2017, the Company was in compliance with all of these covenants.

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, 2017, $67.8 million of letters of credit had been issued thereon (2016: $63.4 million).

## 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, 2015, the Company declared an aggregate annual 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 common share ($0.36 per annum) commencing with the dividend payable on March 31, 2016.

On February 21, 2017, the board of directors increased the quarterly dividend to $0.11 per common share ($0.44 per annum) commencing with the dividend payable on March 31, 2017. Certain portions of the dividends paid on each of September 29, 2017 and December 8, 2017 were declared ineligible for the purposes of the "Enhanced Dividend Tax Credit System".

On February 20, 2018, the board of directors increased the quarterly dividend to $0.13 per common share ($0.52 per annum) commencing with the dividend payable on March 29, 2018, which will be the regular quarterly dividend payment until the board of directors of the Company determines otherwise.

It is currently anticipated that the full amount of the dividends to be paid in 2018 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.

| **Month (2017)** | **High** | **Low** | **Volume Traded** |
|---|---|---|---|
| December | $37.08 | $34.79 | 2,491,242 |
| November | $34.93 | $32.80 | 3,131,656 |
| October | $35.29 | $32.04 | 4,220,106 |
| September | $34.67 | $33.46 | 3,882,391 |
| August | $35.37 | $33.89 | 3,921,142 |
| July | $34.62 | $32.18 | 4,578,475 |
| June | $35.34 | $32.11 | 3,470,225 |
| May | $34.84 | $33.32 | 2,709,573 |
| April | $34.31 | $31.33 | 3,611,222 |
| March | $32.67 | $30.68 | 4,628,132 |
| February | $31.70 | $29.61 | 4,892,115 |
| January | $29.95 | $27.31 | 4,821,942 |

## 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 13, 2018 as follows:

| Name and Municipality of Residence | Director Since | Principal Occupation |
|---|---|---|
| William E. Aziz (1) (4)<br>Oakville, Ontario, Canada | 2014 | President and Chief Executive Officer<br>BlueTree Advisors II Inc.<br>(private management advisory firm) |
| W. Geoffrey Beattie (2) (3)<br>Toronto, Ontario, Canada | 2008 | Chief Executive Officer<br>Generation Capital<br>(investment management firm) |
| Ronald G. Close (1) (2)<br>Toronto, Ontario, Canada | 2015 | Corporate Director |
| David L. Emerson (2) (3)<br>Vancouver, British Columbia, Canada | 2012 | Corporate Director |
| Jean M. Fraser (2) (4)<br>Toronto, Ontario, Canada | 2014 | Retired Partner<br>Osler, Hoskin & Harcourt LLP<br>(law firm) |
| John A. Lederer (3) (4)<br>Calgary, Alberta, Canada | 2016 | Executive Chairman, Staples North American companies |
| Michael H. McCain<br>Toronto, Ontario, Canada | 1995 | President and Chief Executive Officer<br>Maple Leaf Foods Inc. |
| James P. Olson (1) (3)<br>Gulfport, Florida, U.S.A. | 2011 | Corporate Director |
| Carol M. Stephenson (1) (4)<br>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 with the following exceptions:

- Mr. Emerson was Chairman, Emerson Services Ltd. (privately held professional services corporation) until 2015;
- Ms. Fraser was a Partner at 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 each member was first appointed (as a member or Chair) are as follows:

| **Audit Committee** | **Member Since** | **Safety and Sustainability Committee** | **Member Since** |
|---|---|---|---|
| W.E. Aziz (Chair since 2015) | 2014 | J.P. Olson (Chair since 2015) | 2015 |
| R.G. Close | 2015 | W.G. Beattie | 2014 |
| J.P. Olson | 2011 | D.L. Emerson | 2012 |
| C.M. Stephenson | 2016 | J.A. Lederer | 2016 |
| **Corporate Governance Committee** | **Member Since** | **Human Resources and Compensation Committee** | **Member Since** |
| W.G. Beattie (Chair since 2014) | 2009 | J.M. Fraser (Chair since 2015) | 2015 |
| R.G. Close | 2015 | W.E. Aziz | 2014 |
| D.L. Emerson | 2012 | J.A. Lederer | 2016 |
| J.M. Fraser | 2015 | C.M. Stephenson | 2016 |

The names, municipalities of residence and principal occupations of the Company's executive officers and executive officers of principal subsidiaries as at February 13, 2018 are as follows:

| Name and Municipality of Residence | Position Held with the Company |
|---|---|
| Michael H. McCain<br>Toronto, Ontario, Canada | President & Chief Executive Officer |
| Scott Bonikowsky<br>Moffat, Ontario, Canada | Vice President, Communications & Public Affairs |
| Bentley A. Brooks<br>Oakville, Ontario, Canada | Senior Vice President & General Manager, Poultry |
| Rocco Cappuccitti<br>Richmond Hill, Ontario, Canada | Senior Vice President & Corporate Secretary |
| Christopher P. Compton<br>Oakville, Ontario, Canada | Senior Vice President, Foodservice Sales and Marketing |
| Stephen L. Elmer<br>Newmarket, Ontario, Canada | Vice President & Corporate Controller |
| Curtis E. Frank<br>Carlisle, Ontario, Canada | Senior Vice President, Retail Sales |
| Glen L. Gratton<br>Grande Pointe, Manitoba, Canada | Vice President, Maple Leaf Agri-Farms |
| Adam J. Grogan<br>Toronto, Ontario, Canada | Senior Vice President, Marketing and Innovation |
| Ian V. Henry<br>Mississauga, Ontario, Canada | Senior Vice President, People |
| Randall D. Huffman<br>Toronto, Ontario, Canada | Chief Food Safety & Sustainability Officer |
| Lynda J. Kuhn<br>Acton, Ontario, Canada | Senior Vice President, Public Affairs & Purpose Champion |
| Andreas Liris<br>Toronto, Ontario, Canada | Chief Information Officer |
| Gary Maksymetz<br>Carlisle, Ontario, Canada | Chief Operating Officer |
| Rory A. McAlpine<br>Oakville, Ontario, Canada | Senior Vice President, Government & Industry Relations |
| René R. McLean<br>Toronto, Ontario, Canada | Vice President, Business Finance |
| Jennifer Postelnik<br>Toronto, Ontario, Canada | Vice President, Investor Relations & Capital Markets |
| Michael R. Rawle<br>Toronto, Ontario, Canada | Vice President, Finance & Treasurer |

| | |
|---|---|
| Deborah K. Simpson<br>Toronto, Ontario, Canada | Chief Financial Officer |
| Iain W. Stewart<br><br>Toronto, Ontario, Canada | Senior Vice President & General Manager, Pork Complex |
| Richard Young<br>Mississauga, Ontario, Canada | Senior Vice President, Supply Chain and Purchasing |

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. S. Bonikowsky is Vice President, Communications & Public Affairs (June 2016 to date) and was Senior Vice President, Communications, Government and Public Affairs, Scotiabank (September 2015 to June 2016); President, ReputationCorp. (January 2015 to September 2015); and, Senior Vice President, Corporate, Government and Public Affairs, Tim Hortons (August 2007 to December 2014);

Mr. B.A. Brooks is Senior Vice President & General Manager, Poultry (April 2015 to date) and 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 is Senior Vice President, Foodservice Sales and Marketing (May 2014 to date) and was Senior Vice President, Foodservice (2005 to May 2014);

Mr. C.E. Frank is Senior Vice President, Retail Sales (May 2014 to date) and was Vice President and General Manager, Customer Business Development (February 2012 to May 2014);

Mr. I.V. Henry is Senior Vice President, People (May 2014 to date) and was Chief Human Resources Officer and Senior Vice President (August 2013 to May 2014) and Vice President Labour Relations and Corporate Human Resources (2011 to August 2013);

Dr. Huffman is Chief Food Safety & Sustainability Officer (June 2017 to date) and was Chief Food Safety Officer (December 2008 to June 2017), Senior Vice President, Operations (May 2014 to June 2017) and Senior Vice President, Quality & Six Sigma (June 2012 to May 2014);

Ms. L.J. Kuhn is Senior Vice President, Public Affairs & Purpose Champion (June 2017 to date) and was Senior Vice President, Sustainability and Public Affairs (May 2014 to June 2017) and Senior Vice President, Communications (April 2010 to May 2014);

Mr. A. Liris is Chief Information Officer (February 2015 to date) and was Vice President Information Solutions (2010 to 2014);

Mr. G. Maksymetz is Chief Operating Officer (May 2014 to date) and was President, Maple Leaf Consumer Foods (February 2010 to May 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);

Ms. J. Postelnik is Vice President, Investor Relations & Capital Markets (January 2017 to date) and was Senior Director, Operations & Supply Chain (July 2014 to December 2016) and Vice President Finance, Reporting & Controls (October 2011 to June 2014);

Mr. M. R. Rawle is Vice President, Finance and Treasurer (December 2015 to date) and 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 is Chief Financial Officer (May 2014 to date) and was President Maple Leaf Business Services (February 2013 to May 2014) and Senior Vice President, Finance (March 2011 to February 2013);

Mr. I.W. Stewart is Senior Vice President and General Manager, Pork Complex (June 2017 to date) and was Senior Vice President & General Manager, Fresh Pork (January 2014 to June 2017) and Senior Vice President, Fresh Meats, Maple Leaf Consumer Foods (February 2010 to January 2014); and,

Mr. R. Young is Senior Vice President, Supply Chain and Purchasing (February 2015 to date) and 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 13, 2018, the directors and executive officers of the Company, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, directly or indirectly, an aggregate of 675,792 common shares, representing approximately 0.63% of the issued and outstanding common shares of the Company. The figure does not include the 46,983,607 common shares (approximately 36.95% of all issued common shares) of the Company reported to be held directly and indirectly 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 *Companies' Creditors Arrangement Act* (Canada) ("CCAA") on August 1, 2007.

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. 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 New Walter Energy Canada Holdings, Inc. during its restructuring. He is a director of OMERS (where he is Chair of its Investment Committee and a member of its Human Resources Committee) and a Member of the Advisory Board for all funds in public private partnerships of Fengate Real Assets. Mr. Aziz was a director and the Chair of the Audit Committee for Canada Bread Company, Limited 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. Mr. Aziz is a member of the Ivey's Leadership Council that was formed to represent and support the Ian O. Ihnatowycz Institute for Leadership at Ivey in leadership thought. 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 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 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, 2017 and 2016 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;
(vi) actuarial services;
(vii) internal audit outsourcing services;
(viii) management functions;
(ix) human resources;
(x) broker-dealer, investment advisor or investment banking services; and
(xi) legal services and expert services unrelated to the audit.

| Description | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Audit fees (1) | $ 983,895 | $ 940,900 |
| Audit-related fees (2) | 681,663 | 357,770 |
| Tax fees (3) | 279,284 | 134,087 |
| All other fees (4) | 342,070 | ----- |
| Total Fees | $ 2,286,912 | $ 1,432,757 |

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, specified procedures report on turkey, chicken and veal quota and import permits and financial due diligence.

(3) For Canadian and international tax advisory and compliance services, and transfer pricing services.

(4) For post-merger integrations for business acquisitions made during the year.

## 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.

## 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, 2017 and 2016, and the consolidated statements of net earnings, other comprehensive income (loss), changes in total equity and cash flow for the years ended December 31, 2017 and 2016. 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 entitlements 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 common 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 agreed that it would not put the rights plan of the Company to shareholders for reconfirmation at the Company's annual meeting in 2017. As a result, the rights plan expired on April 27, 2017 (the date of the Company's annual meeting in 2017) as it was not submitted to the shareholders for reconfirmation pursuant to the provisions of the Governance Agreement described above. The Corporation further agreed 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.

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 Meeting of Shareholders and Management Proxy Circular to be issued in connection with the 2018 annual meeting of shareholders. 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, 2017. 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:
   (a) 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;
   (b) Any material weaknesses in the internal control environment, including with respect to computerized information system controls and security; and
   (c) 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:
   (a) 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;
   (b) Make a recommendation to the Board for the approval of compensation for the external auditors; and
   (c) 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:
   (a) 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;
   (b) 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;
   (c) Shall review and approve clear policies for hiring by the Corporation of employees or former employees of the current or former external auditors;
   (d) 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 maybe 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 withreference 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.