



ANNUAL INFORMATION FORM

For the Fiscal Year Ended

December 31, 2017

SAVARIA CORPORATION

4350 Chomedey Highway

Laval (Quebec) H7R 6E9

March 19, 2018

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FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Information Form ("AIF") and in 2017 management's report constitute forward-looking statements which are based on management's beliefs and information currently available to management, as well as on a number of assumptions concerning future events made by management. The use of words such as "anticipate", "believe", "could", "expect", "may", "estimate", "continue", "intend", and similar expressions, are intended to identify forward-looking statements. These statements are intended to express known and unknown risks, uncertainties and other factors which may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Management believes the expectations expressed by these statements are based on reasonable assumptions, but no assurance can be given that these expectations will prove to be correct. Forward-looking statements should only be relied upon with this caution in mind.

Forward-looking statements in this AIF include, but are not limited to, statements with respect to future capital expenditures, including the amount and nature of such expenditures, currency fluctuations, business strategy, including integration of acquisitions, expansion and growth of the Corporation's business and operations, including the Corporation's market share and position, and other such matters. The Corporation's actual results could differ materially from those anticipated in these forward-looking statements as a result of risks, uncertainties and assumptions which are difficult to predict, including, general economic, market and business conditions, incorrect assessments of the value of acquisitions, fluctuations in foreign exchange or interest rates, increase in competition, lack of available qualified management and key employees, changing technology and other factors, many of which are beyond the control of the Corporation. This list of factors should not be exhaustive and readers should also consider the items set out under the heading "Risk Factors" in this AIF. Except as required under applicable securities law, management is under no obligation to update or revise any forward-looking statements. These statements reflect only information as of the date of this AIF.

CORPORATE STRUCTURE

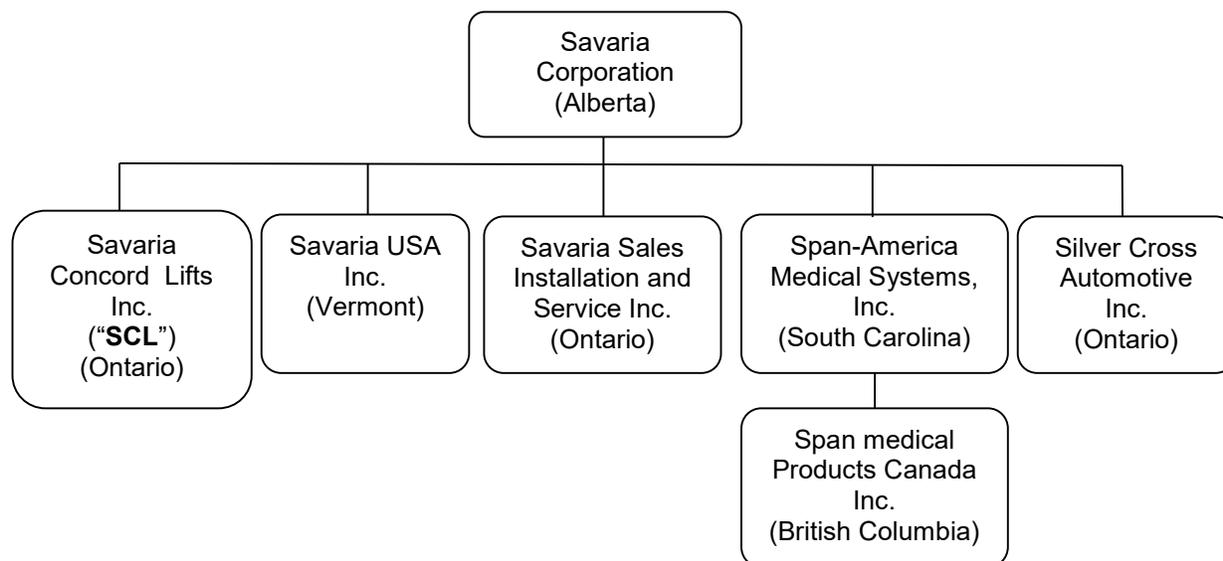
Incorporation of the Issuer

Savaria Corporation ("**Savaria**" or the "**Corporation**") was incorporated by Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (Alberta) on October 25, 1999. The Articles of the Corporation were amended by Certificate of Amendment dated January 18, 2000, to delete the private company provisions including restrictions on resale. The Articles were amended again by a Certificate of Amendment dated July 25, 2000, consolidating the issued and outstanding common shares. A Certificate of Amendment dated December 21, 2001 provided for the changing of the name of the Corporation to Savaria Corporation, creating a Series "A" first preferred shares and providing for shareholders' meetings to be held outside of the province of Alberta and were restated by a Certificate of Amendment and Registration of Restated Articles dated January 4, 2002. All of the previously issued and outstanding Series "A" first preferred shares have been converted to common shares in June 2005 and no Series "A" first preferred shares are currently issued and outstanding.

The Corporation's head office is located at 4350 Chomedey Highway, Laval, Quebec, H7R 6E9 and its registered office is located at Third Floor, 14505 Bannister Road S.E., Calgary, Alberta, T2X 3J3.

Intercorporate Relationships

The following flowchart describes the Corporation as well as its principal subsidiaries whose assets represent 10% or more of the Corporation's consolidated assets as at December 31, 2017 or whose revenues account for more than 10% of the Corporation's consolidated revenue. The flowchart shows the jurisdictions of incorporation. The Corporation controls 100% of the voting rights of all subsidiaries.



GENERAL DEVELOPMENT OF THE BUSINESS

Three-Year History

2015

In May 2015, the Corporation completed a bought deal private placement of 2.875 million common shares at a price of \$5.00 per share, for net proceeds to Savaria of \$13.5 million.

In early August 2015, the company began research and development in Magog, Quebec of a new complementary product, a ceiling lift. The introduction to market was planned for August 2016.

To increase its vehicle conversion capacity, in August 2015, Savaria acquired a 57,000-square-foot building in Laval, Quebec.

In the third quarter of 2015, Savaria acquired the assets of three Silver Cross franchises located in Ottawa, St. Catharines and Toronto, Ontario; they joined the corporate store located in Oakville, Ontario. Savaria furthered its strategy of operating corporate stores in the major Canadian markets to meet the mobility needs of the aging population, while franchising the other markets. Also, in the third quarter of 2015, the K2, a new stairlift for straight stairs, was introduced to market.

2016

2016 was a notable year, especially for the *Adapted vehicles* segment. At the beginning of the year, the Corporation head office, direct sales group and Van Action (the vehicle conversion plant) moved together into the new building in Laval. Up and running in February 2016, the new plant reached a production rate above its maximum forecasted capacity as early as March 2016. In May, the Corporation acquired the automotive division of Shoppers Home Health Care. This transaction added points of sales for the vehicle conversion segment in Victoria and Vancouver, BC, Edmonton and Calgary, AB, and London and Waterloo, ON. To meet the growing demand, investments were made at the new Laval plant, doubling the original production capacity by the end of the year. 2016 also saw the development of two new products based on the Chrysler Pacifica platform: a side entry van and a rear entry van. These vehicles were unveiled in February 2017.

In June, the Corporation completed a bought deal private placement of 2.6 million shares at \$7.80 per share, for net proceeds to Savaria of \$19.1 million.

In the *Accessibility* segment, a new product, a ceiling lift called the Savaria FL was introduced to market in September 2016. Research and development activities continue in Magog, Quebec, to expand this new product line.

Since September 2016, Savaria is in the S&P/TSX Small Cap Index.

In November 2016, the Bourassa family completed a secondary offering of 1.75 million Savaria shares at \$11.34 per share.

2017

On February 10, 2017, the Corporation acquired the assets of Premier Lifts, Inc., a leading elevator dealer in the Baltimore – Washington area that has been installing Savaria products for the last 15 years. This acquisition offers an opportunity to continue strong sales and service presence in this marketplace.

On June 16, 2017, the Corporation acquired the shares of Span-America Medical Systems, Inc. ("Span"). See Significant Acquisition below.

On the same date, the Corporation completed a "bought deal" private placement of 2.76 million common shares at a price of \$13.90 per share for net proceeds to Savaria of \$36.4 million.

Also, during the 2nd quarter of 2017, the Corporation signed a new financing agreement with its financial institution in the form of a revolving line of credit totaling \$110 million. The agreement provides for an additional credit of \$50 million, available under certain conditions.

In July 2017, the Corporation acquired a 27,000-square-foot building in Toronto, Ontario, to consolidate under one roof the activities of the *Adapted Vehicles* segment in the Toronto area.

On August 24, 2017, the Corporation agreed to acquire the assets of Visilift, LLC ("Visilift"). The company manufactures and markets round and octagonal panoramic glass or acrylic elevators for the residential

market. The transfer of production activities to Savaria's manufacturing facilities in Brampton, Ontario will be completed in the spring of 2018.

On December 14, 2017, the Corporation acquired the assets of Master Lifts Pty Ltd ("Master Lifts") by way of its newly created subsidiary Savaria (Australia) Pty Ltd. Master Lifts is a leading elevator dealer based in Brisbane, Australia. The acquisition of Master Lifts provides Savaria with a national sales platform to gain access to the Australian market.

In the *Accessibility* segment, the design of a new product line of ceiling lifts, which began in 2015, continues in its research and development center in Magog, Quebec. The full line of products will be completed by the end of the 2nd quarter of 2018.

Savaria stays abreast of strategic acquisition opportunities that would allow it to further its growth and strengthen its key player position in the accessibility market.

SIGNIFICANT ACQUISITION

On June 16, 2017, Savaria acquired Span by way of a public offering for all outstanding shares of the company, which was listed on NASDAQ. A Form 51-102F4 has been filed in respect of this acquisition.

Span manufactures and markets a comprehensive line of therapeutic support surfaces and other pressure management products for the medical market, medical beds for the long-term care market as well as foam mattress overlays and pillows for the consumer market and certain products for the industrial market, mainly foam products. See Overview of the business for the Span segment below.

This acquisition delivers three key benefits that will help Savaria achieve its long-term strategic growth objectives. First, it adds a complementary product line to its accessibility portfolio. Secondly, it provides it with a new distribution channel into the institutional and governmental markets. Finally, it increases its US presence, allowing it to be closer to its customer base.

OVERVIEW OF THE BUSINESS

Savaria is one of North America's leaders in the accessibility industry. It provides accessibility solutions for the physically challenged to increase their comfort, their mobility and their independence. The diversity of its product line, one of the most comprehensive on the market, includes stairlifts, wheelchair lifts, ceiling lifts, residential and commercial elevators and the conversion and adaptation of vehicles. The Corporation entered the Medical Products and Surfaces market through the acquisition of Span in June 2017 (see the *Span Segment* below for details).

The Corporation, whose headquarters along with a vehicle conversion plant are located in Laval, Quebec, in a 57,000-square-foot building, also has a 125,000-square-foot plant in Brampton, Ontario, a 75,000-square-foot plant in Huizhou, China, a 27,000-square-foot plant in Toronto, Ontario as well as 11 sales offices and retail stores throughout Canada and one sales office in Baltimore, Maryland in the USA. Following the acquisitions of Span and Master Lifts, the Corporation now also has a 188,000-square-foot

plant in Greenville, South Carolina, a 50,000-square-foot plant in Beamsville, Ontario and a 19,000-square-foot plant in Brisbane, Australia.

The Corporation manages its operations under three operating segments, Accessibility, Adapted Vehicles and Span. These segments are structured according to the market segments they address.

During fiscal 2017, 58% of Savaria's total revenue was generated from the United States, 37% from Canada and the remaining 5% from outside North America.

A. Accessibility

Overview of the business

The *Accessibility* segment designs, manufactures, distributes and installs accessibility products such as stairlifts for both straight and curved stairs, vertical and inclined platform lifts and elevators for home and commercial use. In September 2016, a ceiling lift which was developed and manufactured at the Magog, Quebec plant has been added to our product offering. All other products are manufactured, assembled and customized at the Brampton, Ontario plant and are offered through a network of some 400 active retailers, which are primarily located in North America. The Huizhou (China) plant is the main supplier of parts and components for the Brampton plant; also, it assembles product components and finished products mainly for the benefit of the Corporation, but also for the sale of products on the Asian and European markets. The segment's product line, the most comprehensive on the market, includes fourteen products. A portion of the products manufactured by the Brampton facility are distributed and installed in the provinces of Quebec, Ontario and Alberta.

This segment also includes the operations from the *Silver Cross* division, consisting of a network of franchises and corporate stores through which new and recycled accessibility equipment is sold. The division's lead generation program captures and distributes leads on potential customers to close to 100 affiliates in North America.

Savaria's products meet the requirements of Canadian Standards Association (CSA) or American Society of Mechanical Engineers (ASME). The applicable standards and codes are CSA B355 (Lifts for Persons with Physical Disabilities), ASME A18.1 (Safety Standard for Platform Lifts and Stairway Chairlifts) and CSA B44 (Safety Code for Elevators). Some of the products sold in the United States must also comply with the FDA (Food and Drug Administration) code. These safety standards specify minimum requirements for the design, construction, installation and testing of accessibility equipment.

The products are sold on both the commercial market (50%) and the residential market (50%). The *Accessibility* segment generated revenues of some \$108 million in 2017 (2016: \$96 million), representing 60% (2016: 80%) of the total revenues of the Corporation.

Production

Savaria designs and manufactures its accessibility products and elevators at its manufacturing facility in Brampton, Ontario where product testing is also done. When parts are received, they are compared to the original design. Samples are selected from each received shipment and are submitted to rigorous testing. Once the samples have successfully passed all quality control tests, the product is sub-assembled. Other components are then painted, followed by the assembly of the electric/electronic components. Quality

control, inspection, and examination are performed by non-assembly employees who specialize in quality control.

Components

Savaria acquires approximately 80% of required parts from external suppliers and assembles the final products. Drawings of the various components used to assemble final products are submitted to subcontractors that supply these parts to Savaria using the just-in-time production strategy. The inventory turnover rate is fourteen weeks.

New Products

The Corporation operates three research and development centers; the most important one is located in Huizhou, China, and the other ones are in Brampton, Ontario and Magog, Quebec. The first two are responsible for the development of accessibility products such as stairlifts, and the last one, of the new ceiling lift product line.

Competitive Conditions

There are two major competitors to Savaria within the North American accessibility equipment industry. Most of the information relating to competition in the accessibility equipment industry was obtained through corporate websites and information provided directly by Savaria.

Bruno Independent Living Aids, Inc, Oconomowoc, Wisconsin, USA
Garaventa (Canada) Ltd., Surrey, British Columbia, Canada

Employees

This segment employs a total of 473 people: 205 in assembly, 110 in administration, 70 in installation, 49 in sales and marketing, 39 in engineering and research and development.

Foreign Operations

In the *Accessibility* segment, Savaria's foreign operations are sales of finished products and purchases of raw material. In 2017, the segment generated approximately 62% of its revenues from the U.S., 32% from Canada and the balance from the international market. As for purchases, approximately 30% are from Canada, 16% are from the U.S., 49% are from Asia and the balance from other countries. Note that 94% of the total value of purchases from Asia is from the subsidiary *Savaria Huizhou*. See also, *Risk Factors > General > Currency Fluctuations* below.

B. Adapted Vehicles

Overview of the business

Through its *Adapted Vehicles* segment, the Corporation converts and adapts minivans to facilitate the transport of mobility challenged people via its *Van-Action*, Laval, Quebec and *Freedom Motors*, Brampton, Ontario subsidiaries. Its new *Silver Cross Automotive* subsidiary, which in May 2016 acquired the assets of the automotive division of *Shoppers Home Health Care* (a division of *Shoppers Drug Mart*), distributes converted vehicles in the Ontario, Alberta and British Columbia retail markets. The product line-up includes models with rear entry, side entry and dual entry. By adding a ramp and lowering the floor, minivans become accessible to people in wheelchairs. They can be used for personal or

commercial purposes. *Van-Action* also adapts vehicles by installing lifting platforms, motorized winches, various manual controls and other accessories that aid people with reduced mobility in their driving.

This segment generated \$27 million in revenue in 2017 (2016: \$23 million), representing 15% of total revenue of the Corporation (2016: 20%).

Production

This segment designs, manufactures, tests and distributes lowered-floor minivans to accommodate wheelchairs. Approximately 650 vans were converted in 2017. The line includes stages starting with disassembling the interior and mechanical components of the van, cutting open the floor, welding a new floor in place, painting, rewiring the electricity, reassembling the mechanical components and interior of the van and performing road tests.

Components

Approximately 300 parts are used to convert the vans. Of those, approximately 80% are from external suppliers. The inventory turnover rate is sixteen weeks.

New Products

Two new products based on the Chrysler Pacifica platform have been on the market since January 2018. The first is a side entry van and the second is a rear entry van.

Competitive Conditions

There are two major competitors to Savaria in the adapted vehicles market within North America:

Braun Corporation, Winamac, Indiana, USA
VMI, Phoenix, Arizona, USA

Employees

This segment employs a total of 103 people: 58 in assembly, 19 in administration, 16 in sales and marketing, 10 in engineering and research and development.

Foreign Operations

In 2017, approximately 97% of revenue comes from Canada and 3% from one client in Sweden. As for purchases, approximately 80% are from Canada and the balance is imported from the U.S.

C. Span - Medical Products and Surfaces

Overview of the business

The Corporation entered the Medical Products and Surfaces segment through the acquisition of Span in June 2017. Through this new segment, the Corporation designs, manufactures and markets a comprehensive selection of therapeutic support surfaces and other pressure management products for the medical market, including patient positioners, polyurethane foam mattress overlays, seating products, skin care and fall protection products. These products are designed to aid in the prevention or treatment of pressure ulcers and are targeted at the aging population. Pressure management products made up 62% of total Span revenue in the six months ended in December 2017.

Through its wholly-owned subsidiary Span Medical Products Canada Inc. (Beamsville, Ontario), Span manufactures and markets medical beds as well as related in-room furnishing products. Medical beds and related products made up 22% of total Span revenue in the six months ended in December 2017.

Medical products are sold primarily in North America to customers in the major segments of the health care market, including long-term care facilities, acute care hospitals and home health care providers.

Span also manufactures and markets consumer custom bedding products consisting of traditional and memory foam mattress pads and pillows sold to various retail customers in the US market by our primary consumer products distributor, Hollander Sleep Products. Consumer sales made up 11% of total Span revenue in the six months ended in December 2017.

Lastly, Span manufactures and markets industrial products such as engineered foam products which are used in a variety of markets, including the automotive, packaging, durable goods, electronics and water sports equipment industries for the industrial markets. Our largest industrial customers manufacture automobiles and specialty packaging products. Most of our industrial products are made to order according to customer specifications and are sold primarily in the southeastern United States. Industrial products made up 5% of total Span revenue in the six months ended in December 2017.

This segment generated \$46 million in revenue in 2017 (nil in 2016), representing 25% of total revenue of the Corporation.

Production

Span has manufacturing facilities in Greenville, SC and Beamsville, ON. At the Greenville facility, it designs and manufactures therapeutic support surfaces, patient positioners, mattress overlays and wheelchair cushions for the medical market; mattress pads and pillows for the consumer market; and various foam products used in the industrial market. These products are manufactured on several different production lines which perform basic manufacturing activities, including foam cutting, fabrication, gluing, product assembly, cover sewing and packaging. For products that contain electrical components and pumps, those component parts are generally purchased from various suppliers, assembled after which the completed control boxes are tested, and become part of the finished products.

At the facility in Beamsville, ON, Span designs and manufactures bed frames for the medical market. The major production processes include metal cutting and fabrication, welding, assembly, painting, testing and packaging. All component parts for the beds are either manufactured directly by Span or purchased from suppliers based on Span's product specifications.

Components

Approximately 85% of the raw materials consist of polyurethane foam, nylon/vinyl mattress covers and tubes, motors, pneumatic pumps, blowers, bed actuators, steel and metal stampings. In addition, corrugated shipping containers, polyethylene plastic packaging material and hook-and-loop fasteners are used. We believe that the basic raw materials are in adequate supply and are available from many suppliers at competitive prices.

New Products

Span maintains engineering departments in its Greenville, SC and Beamsville, ON locations for new-product development. The research and development efforts are focused almost entirely on the medical business for the creation of new products, new features of existing products and product design improvements.

Competitive Conditions

In the therapeutic support surfaces business and other pressure management products, Span faces significant competition for sales of the three main categories of therapeutic support surfaces. These are powered air therapy support surfaces, non-powered air therapy support surfaces and therapeutic foam support surfaces. In the bed business, Span faces competition for sales in the long-term care market both from manufacturers and national distributors of long-term care beds and related furniture. Chief competitors include Joerns Healthcare, Inc., Medline Industries, Inc., Drive DeVilbiss Healthcare, Inc., Invacare Corporation, GF Health Products, Inc. (Graham-Field), Hill-Rom Holdings, Inc. (Hill-Rom), Sizewise Worldwide and Stryker.

In the custom products business, the primary competitors in this market are Sleep Innovations, Inc., E.R. Carpenter Company and Sinomax, all of which are larger and have greater resources than Span.

Span also has several competitors in the market for its industrial products, including Hibco Plastics, CelloFoam North America, Inc. and Foam-Tech.

Employees

This segment had 257 full-time employees as of December 31, 2017 (172 in the United States and 85 in Canada).

Foreign Operations

For the six months ended December 31, 2017, approximately 82% of Span's revenue came from the U.S., 13% came from Canada, 4% came from Australia and the remaining 1% came from various other countries.

RISK FACTORS

The risks and uncertainties described below are not the only ones Savaria may face. Additional risks and uncertainties not presently known to the Corporation or that it currently deems immaterial may also impair business operations. If any of the following risks occurs, the business, financial conditions or results of operations could be materially adversely affected.

Financing

Savaria may require additional financing in the future. The ability of the Corporation to arrange such financing in the future will depend, in part, upon the prevailing capital market conditions, as well as the business performance of the Corporation. There can be no assurance that Savaria will be successful in its efforts to arrange additional financing on terms satisfactory to the Corporation. If additional financing is raised by the issuance of shares from the treasury of the Corporation, shareholders may suffer additional

dilution and control of the Corporation may change. If adequate funds are not available, or are not available under acceptable terms, Savaria may not be able to take advantage of opportunities, develop new products or otherwise respond to competitive pressures.

Currency Fluctuations

The Corporation realizes approximately 64% of its revenues in foreign currencies and accordingly is exposed to market risks related to foreign exchange fluctuations. Major exchange rate fluctuations could have a significant impact on its revenue and consequently on its gross margin. The Corporation partially compensates for these risks by purchasing materials in U.S. dollars and by using derivative financial instruments such as foreign exchange forward contracts. These contracts oblige the Corporation to sell U.S. dollars at a fixed rate.

Interest Rates Fluctuations

The Corporation's interest rate risk arises from its long-term loans, bank loans and long-term debt. Borrowings issued at variable rates expose the Corporation to risks of cash flow variation related to interest rate fluctuations, whereas borrowings issued at fixed rates expose the Corporation to fair value variation due to interest rate fluctuations. Most of the Corporation's debts bear interest at variable rates. To minimize this risk, the Corporation signed interest rate swap agreements for some of its long-term loans.

Price Variation

The Corporation's products include a high number of components manufactured by hundreds of suppliers around the world. The price of such components can vary and affect the Corporation's profit margins. However, the Corporation's flexible business model enables it to change supplier if required to minimize this risk. The Corporation does not make use of derivative products on the price of materials.

The Corporation, through its Chinese subsidiary, is increasing its purchasing volume in Asia to benefit from a better quality-price value. The Corporation analyzes each part individually to determine the best procurement source while considering various factors, including manufacturing costs.

Credit Risk

Cash is held or issued by financial institutions with a superior-quality credit rating. Hence, the Corporation considers that the risk of non-performance of such instruments is negligible.

The Corporation provides credit to its clients in the normal course of business. It carries out credit checks on its clients on a continual basis and minimizes its credit risks by conducting its operations with a wide variety of clients in several industries.

Trade receivables are presented on the statement of financial position net of an allowance for doubtful accounts. The allowance is based on the Corporation's best estimate as to the probability of collecting uncertain accounts. Uncertainty regarding the collection of accounts may derive from various indicators, including deterioration in the credit-worthiness of a client or an abnormal delay in payment of past-due invoices. Management regularly reviews client accounts, ensures that past-due accounts are followed up and evaluates the relevance of its allowance for doubtful accounts.

Economic Conditions

The purchase of elevators is often a discretionary expense and, accordingly, sensitive to economic fluctuations, government subvention program changes and conditions in the housing market. The Corporation takes measures to control its expenses and to adjust its work force in order to adapt working hours to its order backlog.

Warranties

In the normal course of its business, the Corporation assumes the cost of certain components in replacement of defective components under warranties offered on its products. The warranties cover a period of three (3), twelve (12) or thirty-six (36) months on accessibility and adapted transport products while they cover a period of eighteen (18) months to fifteen (15) years on Span products. Warranty provisions are established on the basis of estimates and assumptions. These provisions are based on management's experience. If such estimates and assumptions prove inaccurate in the future, the effective costs to respect product warranties could differ from those recorded.

Competition

The Corporation operates in a competitive industry, and many factors could adversely impact the Corporation's ability to maintain or enhance its profitability and could have a material adverse effect on its operating results.

In case of the accessibility segment, the North American industry consists of about ten companies in fierce competition. Savaria ranks as one of North America's leaders in the accessibility industry. Its large size provides it with major advantages, including: a high profile, an extensive distribution network, economies of scale and many foreign suppliers.

For the Span segment, larger and well-established competitors dominate the market. While we believe we are holding or gaining market share in our largest product lines, larger, well-financed competitors present a formidable challenge. If we are unable to compete effectively with these larger competitors, we could lose market share, and sales could decrease.

Our ability to compete effectively in the accessibility and the medical markets is dependent on a continuous stream of innovation in the form of new, more effective products at a lower cost.

Dependence on Key Distributors and Large Customers

In general, the Corporation does not enter into long-term contracts with its major distributors and customers. As a result, given economic conditions, supply and demand factors in the industry, the Corporation's performance, internal initiatives of the Corporation's customers or other factors, the customers may reduce or eliminate their use of Savaria's services, or may use competitive environment as a leverage to obtain better rates and other concessions from the Corporation. More specifically, the loss of a key distributor or customer in the Corporation's Span segment could cause a decline in revenue, which would likely result in a material decline in earnings for this segment. Many of Span's products are sold through large national distributors in the United States and Canada and are supply based on purchase orders that are issued by the customers on a weekly basis.

It is also possible that a non-participating distributor may acquire one or more distributors with whom the Corporation has a relationship, at which time the survivor distributor may decide to terminate the current business relationship.

Economic and capital market conditions may adversely affect the Corporation's customers and their ability to remain solvent. The financial difficulties of the clients could have a negative impact on the Corporation's operating results and financial position.

In general, the concentration of credit risks to which Savaria is exposed remains limited, given the large number of customers and their geographical dispersion across North America. The Corporation also keeps developing strong and enduring relationships with many distributors and clients located on the continent and around the world.

Dependence on the U.S. Market and Its Economy

In 2017, the percentage of Savaria's revenue recorded in the United States totaled 58% (51% in 2016). The Corporation's profitability could therefore be affected by any major event having a negative impact on the U.S. economy or the trade relations between Canada and the United States (the reader is referred to *Economic Conditions* above).

Possible downturns in the U.S. economy combined with uncertainties about interest rates, health care reform and tax policy could cause our customers to delay, reduce or cancel capital expenditure plans which in turn could have a negative effect on our earnings.

Downturns in the U.S. and global economies could also have a material adverse effect on the business or financial condition of one or more of our key customers or distributors or on several customers and distributors that, in the aggregate, account for a material portion of our sales.

Information System

Savaria's operating and financial systems are essential for compiling and managing customer requests, scheduling installations and production, billing and recovering the Corporation's services. The Corporation's financial reporting system is essential to produce accurate and timely financial statements and to analyze the Corporation's information that will help it to manage its operations effectively. Any significant system failure, any complication, any security breach or other system disruption could disturb or delay the operations of the Corporation, adversely affect the reputation of Savaria, resulting in the loss of customers, or additional costs to repair the systems or may affect the Corporation's ability to manage its activities and to report the financial performance of the Corporation, which could have a material adverse effect on the business of the Corporation. While the Corporation has the proper equipment and software to ward off cyberattack and maintain that equipment up to date, the Corporation is not immune from a cyberattack.

Risks Related to Acquisitions and Their Integration

Acquisitions are part of the Corporation's growth strategy. The Corporation may not be able to successfully integrate acquisitions into the business of the Corporation, or may incur significant unplanned costs to do so. In addition, the process of integration of the acquired businesses could result in disruption of the Corporation's existing operations and could result in an interruption or reduction of the Corporation's business due to, among other factors and not limited to:

- the loss of key employees, customers or contracts;
- possible inconsistencies in, or conflicts with, the standards, controls, procedures and policies of the combined companies, and the need to apply financial, accounting, computer and other systems to the whole of the Corporation;
- the inability to maintain or improve the quality of services that have been provided previously;
- the inability to retain, integrate, hire or recruit employees with the required skills.

Cost savings, synergies, revenue growth or any other anticipated benefits from any acquisition that the Corporation initiates may not be realized, or not realized within the specified time. The Corporation's cost savings, synergies, revenue growth or other estimated benefits from acquisitions are subject to several assumptions with respect to timing, execution and associated costs. To realize such synergies, assumptions are uncertain and involve a wide variety of commercial, economic, geographic and competitive risks.

Key Personnel

Savaria believes its future success will depend upon its ability to retain its key management personnel. Although the Corporation has a succession plan for Marcel Bourassa, the Corporation's President and CEO, his departure may impact Savaria, because of his broad experience and knowledge in business development and opportunities and because of the many challenges to be met.

The Corporation may not be successful in attracting and retaining key employees in the future. Savaria's future success and its ability to expand its operations will also depend in large part on its ability to attract and retain additional qualified marketing, sales and technical personnel.

The Corporation may not be able to hire, train, retain, motivate and manage required personnel or to successfully identify, manage and exploit existing and potential market opportunities. Competition for these types of employees is intense due to the limited number of qualified professionals available. Failure to attract and retain personnel, particularly marketing, sales and technical personnel could make it difficult for the Corporation to manage its business and meet its objectives.

Product Liability

Savaria, like other manufacturing companies, is subject to a variety of potential liabilities connected with its business operations, including potential liabilities and expenses associated with possible product defects. The Corporation's products are highly complex and sophisticated and, from time to time, may contain design and manufacturing defects that are difficult to detect and correct. There can be no assurance that errors will not be found in new products after commencement of commercial shipments or, if discovered, that the Corporation will be able to successfully correct such errors in a timely manner or at all. In addition, despite tests carried out by the Corporation on all of its products to achieve, as much as possible, first pass product success, there is no assurance that Savaria will be able to fully simulate the environment in which its products will operate. As a result, the Corporation may be unable to adequately detect design and manufacturing defects in its products and they may only become apparent after the products are installed. The consequences of such errors and failures could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Consistent with industry practice, Savaria allows customers to return products for warranty repair, replacement or credit. Although the Corporation provides for anticipated returns, and management believes that the policies of the Corporation have resulted in the establishment of provisions that are adequate, there is no assurance that such product returns will not exceed such provisions in the future and as a result may have a material adverse effect on future operating results. If any of the products distributed by Savaria prove defective, the Corporation may be required to refund the price of or replace the product. Replacement or recall of such products may cause the Corporation to incur significant expenses and adversely affect the reputation of Savaria and its products.

Savaria maintains liability and other insurance coverage which it believes to be generally in accordance with industry practices. Nevertheless, such insurance coverage may not be adequate to fully protect the Corporation against substantial damage claims which may arise from product defects and failures.

Government Regulation

All Savaria's accessibility products have to meet the requirements of the Canadian Standards Association (CSA) and the American Society of Mechanical Engineers (ASME). The medical products must also comply with the Food and Drug Administration (FDA) code or Health Canada depending on whether they are sold in the United States or Canada. Although Savaria intends to seek all necessary approvals for future products, there can be no assurance that the codes and standards relating to such approvals will not change, thus requiring additional approvals, or that Savaria will be able to secure all necessary approvals at acceptable costs or within desired time frames.

Operating Results

There is no assurance that the Corporation will achieve profitability in the future or that it will be able to generate sufficient cash from operations, or to raise sufficient financing, to fund its operations. Savaria's annual and quarterly results are affected by a number of factors. The primary factors affecting operating results are the level and timing of customer orders, fluctuations in materials costs and the mix of materials costs versus labour and manufacturing overhead costs. Other factors affecting annual and quarterly operating results include price competition, the Corporation's experience in manufacturing a particular product, the efficiencies achieved by the Corporation in managing inventories, fixed assets and manufacturing capacity, the timing of expenditures in anticipation of increased sales, the timing of acquisitions and related integration costs, customer product delivery requirements, product defects, shortage of raw materials or labour, expenditures or write-offs related to acquisitions, distribution and marketing costs, expenses relating to expanding existing manufacturing facilities and overall economic conditions in the accessibility equipment industry. Any one of these factors or a combination thereof could have a material adverse effect on the Corporation's results of operations, business, prospects and financial condition and could cause variability of results from period to period.

Healthcare Reimbursement

Savaria's ability to grow sales of accessibility equipment may depend, in part, on the extent to which reimbursement for the cost of such products will be available from government health administration authorities, private health coverage insurers, and other organizations. Third-party payers are increasingly challenging the price of medical equipment. There can be no assurance that third-party coverage will be available to assist potential buyers of Savaria's products.

Proprietary Rights

Much of Savaria's rights to know-how and technology may not be patentable, though this know-how and technology may constitute trade secrets. There can be no assurance that the Corporation will be able to meaningfully protect its rights to trade secrets. To help protect its rights, Savaria would require employees, consultants, suppliers and subcontractors to enter into confidentiality agreements. There can be no assurance that these agreements will provide meaningful protection for the Corporation's rights to trade secrets, know-how or other proprietary information in the event of any unauthorized use or disclosure.

Technological Alteration

Savaria's products are manufactured to specifications designated by each country within which product is sold. A country can announce changes to its specifications for equipment design that can materially affect Savaria's production, design and implementation processes, thereby forcing the absorption of additional costs while adjusting to the new specifications.

DIVIDENDS

During each of the years indicated, the Corporation declared the following dividends per share:

	2017	2016	2015
Common Shares	\$0.315	\$0.215	\$0.17

Those dividends have been paid in accordance with the Corporation's existing dividend policy. On September 11, 2017, the Corporation approved a 10-cent increase of its dividend on an annual basis, increasing it from 26 cents (\$0.26) to 36 cents (\$0.36) per common share. Furthermore, whereas dividends were formerly paid quarterly, they will now be paid monthly.

GENERAL DESCRIPTION OF CAPITAL STRUCTURE

The Corporation is authorized to issue an unlimited number of common shares and first or second preferred shares, all with or without nominal value. As at the date of this AIF, 41,257,115 common shares are issued and outstanding as fully paid and non-assessable. No first or second preferred shares are issued and outstanding as at the date of this AIF.

The holders of the common shares are entitled to dividends, if, as and when declared by the board of directors, to one vote per share at meetings of the shareholders of the Corporation and, upon liquidation, to receive such assets of the Corporation as are distributable to the holders of the common shares.

MARKET FOR SECURITIES

Trading Price and Volume

The Corporation's common shares trade on the Toronto Stock Exchange under the symbol "SIS". The trading price of the common shares for the period of January 1, 2017 to December 31, 2017 was as follows:

Month	Price per share			Volume (shares)
	High	Low	Close	
January	\$11,38	\$10,53	\$10,84	1,032,799
February	\$11,15	\$10,18	\$10,69	1,003,805
March	\$14,30	\$10,50	\$14,00	2,494,910
April	\$15,13	\$13,87	\$14,25	1,342,262
May	\$17,55	\$13,83	\$17,04	2,458,065
June	\$17,50	\$15,14	\$15,94	1,442,579
July	\$16,10	\$14,03	\$14,90	1,161,255
August	\$15,44	\$12,04	\$13,18	3,157,308
September	\$14,88	\$12,85	\$13,92	1,921,392
October	\$15,94	\$13,75	\$15,92	1,636,496
November	\$18,23	\$14,60	\$17,95	2,849,071
December	\$18,47	\$16,71	\$18,22	1,882,510

DIRECTORS AND OFFICERS

Name, Occupation and Security Holdings

The following table sets out the name and municipality of residence of each of the directors and executive officers of the Corporation, their positions held in the Corporation, their principal occupation at present and during the preceding five years, and the number of common shares of the Corporation which that person has advised are beneficially owned by him or her, directly or indirectly, or over which control or direction is exercised, as of the date of this AIF. Each of these directors will be nominated for election at the Corporation's annual meeting. If re-elected, they will serve until the next annual meeting, their resignation or until their successors are elected or appointed in accordance with the *Business Corporations Act* (Alberta) and the by-laws of the Corporation.

Name and municipality of residence	Position with Savaria and principal occupation during the past five years	Common Shares beneficially owned and/or controlled and percent of total issued and outstanding common shares
Marcel Bourassa Georgetown, Ontario	President, Chief Executive Officer and a director of the Corporation since March 2002. President of the Corporation's wholly owned subsidiaries.	11,231,200 ⁽¹⁾ (27.2%)
Jean-Marie Bourassa Montreal, Quebec	Chief Financial Officer and director of the Corporation since March 2002. President and director of <i>Bourassa Boyer Inc.</i> , Chartered Professional Accountant firm, since 1980. Director of 5N Plus Inc. and Chairman of the Audit Committee since December 2007.	2,948,500 ⁽²⁾ (7.1%)
Peter Drutz ⁽³⁾ ⁽⁴⁾ Richmond Hill, Ontario	President of <i>KanKare Home Services Inc. (dba Comfort Keepers)</i> since August 2004. Director of the Corporation since October 1999.	123,766 (0.3%)
Jean-Louis Chapdelaine ⁽⁴⁾ Pointe-Claire, Quebec	President of <i>Saraguay Investment Inc.</i> since 1975. Director of the Corporation since May 2005.	145,000 (0.4%)
Sylvain Dumoulin ⁽³⁾ L'Île-Bizard, Quebec	Real estate and construction consultant since 2005. Director of the Corporation since September 2010.	60,000 (0.1%)
Alain Tremblay ⁽³⁾ ⁽⁴⁾ Laval, Quebec	Vice-President Finance and Operations of <i>Gestion Benoît Dumoulin inc.</i> since 2013. Vice-President Finance and Operations of <i>Habitations Raymond Allard inc.</i> from 2012 to 2013. Director of the Corporation since September 2011.	75,000 (0.2%)

Name and municipality of residence	Position with Savaria and principal occupation during the past five years	Common Shares beneficially owned and/or controlled and percent of total issued and outstanding common shares
Sebastien Bourassa Burlington, Ontario	Vice President Operations and Integration of SCL since January 2018. Vice President Operations SCL from November 2015 to December 2017. President of Savaria Huizhou since 2006. Director of the Corporation since July 2017.	118,133 (0.3%)
Caroline Bérubé Singapore	Managing Partner of <i>HJM Asia Law LLC</i> since 2007. Serves on the Board of a variety of private companies and is the Secretary General of the <i>Inter-Pacific Bar Association</i> and the Co-chair of the <i>Asia-Pacific Forum of the International Bar Association</i> . Director of the Corporation since September 2017.	nil (-%)

- (1) Of the 11,231,200 common shares indicated, 10,700,000 are held indirectly through *Les Élévateurs Savaria Inc.*, 392,300 are held indirectly through *9099-4591 Quebec Inc.*, 138,000 are held indirectly through *9264-4582 Quebec Inc.*, the three of which are controlled by Marcel Bourassa and his children, and 900 are held personally by Marcel Bourassa.
- (2) Of the 2,948,500 indicated, 2,675,000 are held indirectly through *Les Élévateurs Savaria Inc.*, 138,000 are held indirectly through *9264-4582 Quebec Inc.*, 135,500 are held personally by Jean-Marie Bourassa.
- (3) Members of the Corporation's Audit Committee. Mr. Dumoulin is Chairman of this Committee.
- (4) Members of the Corporation's Nomination Committee. Mr. Tremblay is Chairman of this Committee.

The directors and officers of the Corporation, as a group, beneficially own or control, directly or indirectly, 14,833,584 or 36% of the issued and outstanding common shares.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

1. None of the Corporation's directors or executive officers was, at the date of the AIF, or was within 10 years before the date of the AIF, a director, chief executive officer or chief financial officer of any company (including Savaria) that:
 - (a) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or
 - (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an

event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

For the purpose of subsection 1, “order” means a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days.

2. None of the Corporation’s directors or executive officers or any shareholder holding a sufficient number of securities of Savaria to affect material control of the Corporation
 - (a) was, as at the date of this AIF, or has been within the 10 years before the date of this AIF, a director or executive officer of any company (including Savaria) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or
 - (b) had within the 10 years before the date of the AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee.

Conflicts of Interest

Directors and officers of Savaria may serve as directors or officers of, or have significant shareholdings in other companies, or be or become engaged in business and activities in the accessibility industry and/or other fields, on their own behalf and on behalf of other companies and entities. To the extent that such other companies or entities may participate in ventures in which the Corporation may participate, the directors or officers of the Corporation may have a conflict of interest. Conflicts of interest, if any, will be subject to the procedures and remedies under the Business Corporations Act (Alberta).

As at the date of this AIF, the Corporation is not aware of any existing or potential material conflicts of interest between the Corporation and a director or officer of the Corporation.

PROMOTERS

Marcel Bourassa and Jean-Marie Bourassa may be considered promoters of the Corporation. The following table sets out the number (and percentage) of each class of securities of the Corporation beneficially owned, directly or indirectly, or over which control is exercised by the promoters of the Corporation:

Name of Promoter and Position with Savaria	Number and Percentage of Voting Securities Held
Marcel Bourassa President, Chief Executive Officer	11,231,200 ⁽¹⁾ common shares (27.2%)
Jean-Marie Bourassa Chief Financial Officer	2,948,500 ⁽²⁾ common shares (7.1%)

- (1) Of the 11,231,200 common shares indicated, 10,700,000 are held indirectly through *Les Élevateurs Savaria Inc.*, 392,300 are held indirectly through *9099-4591 Quebec Inc.*, 138,000 are held indirectly through *9264-4582 Quebec Inc.*, the three of which are controlled by Marcel Bourassa and his children, and 900 are held personally by Marcel Bourassa.
- (2) Of the 2,948,500 indicated, 2,675,000 are held indirectly through *Les Élevateurs Savaria Inc.* 138,000 are held indirectly through *9264-4582 Quebec Inc.*, and 135,500 are held personally by Jean-Marie Bourassa.

The following table sets out the nature and amount of anything of value, including money, property, contracts, options or rights of any kind received by the President and Chief Executive Officer directly or indirectly from Savaria or its wholly owned subsidiary. Note that the Chief Financial Officer does not receive any remuneration.

Name and principal position	Salary	Bonus	Other annual compensation	Securities under option	Any other items of value received
Marcel Bourassa	\$500,000	\$400,000	nil	nil	nil

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The directors, officers and principal shareholders of the Corporation (and the known associates and affiliates of such persons) have had no direct or indirect interest in any material transaction involving the Corporation, or its subsidiaries in the last fiscal year or in any proposed material transaction.

TRANSFER AGENT AND REGISTRAR

The Corporation's transfer agent and registrar is *Computershare Trust Company of Canada*. Computershare maintains the Corporation's registers at 1500 University Street, Suite 700, Montreal,

Quebec, H3A 3S8.

MATERIAL CONTRACTS

Savaria has not entered into any material contracts that are not disclosed or otherwise entered in the ordinary course of business.

INTEREST OF EXPERTS

KPMG LLP are the Corporation's auditors and they prepared the Auditors' Report to the shareholders as of March 8, 2018, with respect to the consolidated annual financial statements of the Corporation for the year ended December 31, 2017. As of the same date, *KPMG LLP* is objective with respect to the Corporation within the meaning of the Code of Ethics of the *Ordre des comptables professionnels agréés du Québec*.

AUDIT COMMITTEE

Audit Committee Charter

See Schedule A.

Composition of the Audit Committee

Members of the Audit Committee are Sylvain Dumoulin, CPA, CA (chair), Peter Drutz, MBA and Alain Tremblay, CPA, CA. Each member of the Audit Committee is independent and financially literate.

Relevant Education and Experience

Sylvain Dumoulin

Mr. Dumoulin obtained his BAA in May 1986 after graduating from *l'École des Hautes Études Commerciales in Montreal* (HEC) and his Chartered Accountant degree in 1988, during his professional training with *Raymond, Chabot, Martin, Paré*, Chartered Accountant firm from 1986 to 1989. He was employed by *Grilli Property Group Inc.* from 1989 to 2002, the last 4 years as Vice President of Finance and as a member of the Board of Directors of the company. Among his accomplishments during that period, Mr. Dumoulin worked actively in the Grilli share issue on the stock market in 1992 and the financial restructuring of the company in 1996. He is now acting as a consultant for several real estate and construction companies.

Peter A. Drutz

Mr. Drutz obtained his Master of Business Administration from the Faculty of Administrative Studies (now Schulich School of Business) at York University in 1984. He was Executive Vice President of Retail for Indigo Books and Music from April 2003 to September 2004 and with Amex Canada Inc. from 1982 to 2003, the last 8 years as Vice President and General Manager of the Travel Services Network

Division. Since 2004, Mr. Drutz has been President and CEO of KanKare Home Services Inc which is the Master Franchisor for the Canadian operations of Comfort Keepers, a business providing in home care to seniors and others in need of assistance. Over the course of his career, he has gained experience in analyzing financial statements and he understands internal controls and procedures for financial reporting. He is familiar with audit committee functions and governance through his involvement with Savaria and being on the Board of Directors of Amex Bank of Canada Inc. and various other not-for-profit organizations.

Alain Tremblay

Mr. Tremblay obtained his BAA in May 1987 after graduating from *l'Université du Québec à Montréal* (UQAM) and his Chartered Accountant title in 1989, while he was working for KPMG from 1987 to 1992. He was then employed by *Grilli Property Group Inc.* from 1992 to 1996 as Corporate Controller, and from 2002 to 2009 as Vice-President Finance and member of the Board of Directors. He also acted as Director of Finance for *Provigo* and *Loblaw*, in the Financial Analysis and Internal Audit departments. From 2000 to 2002, he acted as Controller for Textiles Activities for *Gildan Activewear*, comprising 10 plants and distribution centers, across America. More recently, he acted as Vice-President Control and Administration for the *Gouverneur* Hotels Chain, and is now acting since 2013 as Vice-President Finance and Operations for a construction and real estate company *Gestion Benoit Dumoulin inc.* Among his accomplishments, Mr. Tremblay contributed to the financial comeback of *Grilli Property Group inc.*, putting together several financial agreements allowing the Company to substantially grow. He also contributed to various accounting software implementations through a participation role or as the team leader of the project. Employed by one company or another, he assumes the function of vice-president since more than 15 years.

External Auditors' Service Fees (By Category)

Year	Audit Fees	Audit Related Fees	Tax Fees	All Other Fees
2017	\$278,000	\$41,000	\$221,000	nil
2016	\$185,330	\$7,900	\$1,250	nil

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and options to purchase securities, will be contained in the Corporation's Information Circular for the annual meeting. Additional financial information is provided in Savaria's comparative financial statements for the year ended December 31, 2017. Copies of the Information Circular and the consolidated financial statements may be obtained upon request from the Corporation at its corporate head office. Additional information relating to Savaria may also be found on SEDAR (System for Electronic Document Analysis and Retrieval) at www.sedar.com, and on Savaria's website at www.savaria.com.

SCHEDULE A: AUDIT COMMITTEE'S CHARTER

1. General objectives

The Audit committee of Savaria (the "Committee") is established by and among the board of directors (the "Board") for the purpose of overseeing the accounting and financial reporting processes, as well as the audit of the financial statements of the Corporation.

2. Composition

The Committee shall be comprised of three or more directors as determined by the Board, none of whom are members of management of Savaria and all of whom are "independent" (as such term is used in Multilateral Instrument 52-110 — Audit Committees ("MI 52-110")) unless the Board shall have determined that the exemption contained in section 3.6 of MI 52-110 is available and has determined to rely thereon.

The expression "independent" shall mean a person with no direct or indirect relationship with the Corporation.

All of the members of the Committee shall be "financially literate" (as defined in MI 52-110) unless the Board shall determine that an exemption under MI 52-110 from such requirement in respect of any particular member is available and has determined to rely thereon in accordance with the provisions of MI 52-110.

The expression "financial literacy" shall mean the ability to read and understand financial statements that are presenting accounting issues that could reasonably be raised in the Corporation's financial statements.

The members of the Committee shall be appointed by the Board at the annual organizational meeting of the Board and remain as members of the Committee until their successors shall be duly elected and qualified.

Unless a Chair is elected by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership.

3. Organization

The Committee shall meet at least four times annually, or more frequently as circumstances dictate. The members of the Audit committee shall meet before or after each meeting without management. As part of its mandate to foster open communication, the Committee should meet at least annually with management and the external auditors in separate executive sessions to discuss any matters that the Committee or each of these groups believe should be discussed privately. The Chief Financial Officer may, at the discretion of the Committee, be present at meetings of the Committee and may be excused from all or part of any such meetings by the Chairman.

Minutes of all meetings of the Committee shall be taken and the Committee shall report the results of its meetings and reviews undertaken and any associated recommendations or resolutions to the Board. A written resolution signed by all Committee members entitled to vote on that resolution at a meeting of the Committee shall be a valid resolution of the Committee.

A quorum for meetings of the Committee shall be a majority of its members, and the rules for calling, holding, conducting and adjourning meetings of the Committee shall be the same as those governing the Board.

Members of the Committee may participate in a meeting of the Committee by means of telephone or other communication device or facilities that permit all persons participating in any such meeting to hear one another.

The Committee shall ensure the existence of an annual procedure to assess the performance of the Committee and its members.

4. Responsibilities and Duties

a) Financial Reporting and Disclosure of Documents

To fulfill its responsibilities and duties, the Committee shall:

- a. Review with management and the external auditors the annual financial statements and accompanying notes, the external auditors' report thereon and the related press release, including the information contained in management's discussion analysis, before recommending Board approval and prior to their release, filing and distribution.
- b. Review, with management, the quarterly financial statements and accompanying notes and the related press release, including the information contained in management's discussion analysis, before recommending Board approval and prior to their release, filing and distribution.
- c. Review the financial information contained in the annual information form, annual report, management proxy circular, prospectus and other documents containing similar information and prior to their release, filing and distribution with regulatory authorities in Canada.
- d. Ensure that the quarterly and annual audited financial statements of the Corporation accurately represent the financial situation, in accordance with generally accepted accounting principles, before recommending Board approval.
- e. Review, with the external auditors and management, the quality, appropriateness and adequacy of the Corporation's accounting principles and policies, underlying assumptions and financial reporting practices.
- f. Review, together with the Corporation's management and the external auditors, the proposed changes to the Corporation's accounting principles and policies, as well as the different estimates performed by management that could have a material impact on the financial information.
- g. Review the reports to management prepared by the external auditors and management's responses.
- h. Review of significant auditors' findings during the year, including the status of previous audit recommendations.

- i. Ensure that adequate procedures are in place for the review of the public disclosure of financial information extracted or derived from the financial statements and periodically review those procedures.
- j. Review and update this Charter, as conditions dictate.

b) Risk management and Internal Controls

To fulfill its responsibilities and duties, the Committee shall:

- a. Ensure, through discussion with management and external auditors, the effectiveness of the internal controls and the reliability of the financial information disclosed.
- b. Remain informed, through the external auditors, of any weakness in the systems that could cause errors or deficiencies in financial reporting or deviations from the accounting policies of the Corporation or from applicable laws and regulations.
- c. Review the financial and accounting aspects of transactions between related parties.
- d. Review risk management policies and procedures of the Corporation (i.e., hedging, litigation and insurance).
- e. Review the liability insurance coverage for the board members (annually and as required).
- f. Review requests for information from the *Autorité des marchés financiers* and any recommendations made and the steps taken by the Corporation to deal with any such issues.
- g. Assist the Board with the oversight of the Corporation's compliance with applicable regulatory requirements.

c) External Auditors

To fulfill its responsibilities and duties, the Committee shall:

- a. Be directly responsible for overseeing the work of the external auditors, including the resolution of disagreements between management and the external auditors regarding financial reporting.
- b. Recommend to the Board the external auditors to be nominated for appointment by the shareholders.
- c. Recommend to the Board the terms of engagement of the external auditors, including their compensation and a confirmation that the external auditors shall report directly to the Committee.
- d. On an annual basis, review and discuss with the auditors all significant relationships the auditors have with the Corporation to determine the auditors' independence.
- e. Review the performance of the external auditors and approve any proposed discharge of the external auditors when circumstances warrant.
- f. When there is to be a change in auditors, review the issues related to the change and the information to be included in the required notice to securities regulators of such change.
- g. Periodically consult with the external auditors, without the presence of management, about internal controls and the fullness and accuracy of the organization's financial statements.
- h. Review, in consultation with the external auditors, the audit scope and plan of the external auditors.

- i. Pre-approve the completion of any non-audit services by the external auditors and determine which non-audit services the external auditors are prohibited from providing.
- j. Review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation.

d) Ethical and Legal Compliance

To fulfill its responsibilities and duties, the Committee shall:

- a. Establish a procedure for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal controls or auditing matters.
- b. Establish a procedure for the confidential transmittal, on condition of anonymity, by the Corporation's employees of concerns regarding questionable accounting or auditing matters.
- c. Conduct and authorize investigations into any matters within the Committee's scope of responsibilities. The Committee shall be empowered to retain, and to set and pay compensation for any independent counsel and other professionals to assist in the conduct of any investigation, subject to the Board approving any expenditure in excess of \$10,000 in this regard.
- d. See to the establishment and respect by the Corporation's Executive Management of the disclosure policy and any other governance policy regarding financial information, operations, activities, facts or events having a material impact effect on the Corporation's financial condition.
- e. Perform any other activities consistent with this Charter, the Corporation's by-laws and governing law, as the Committee or the Board deems necessary or appropriate.

ADOPTED BY THE BOARD OF DIRECTORS ON DECEMBER 10, 2008