



**Dorel Industries Inc.**  
1255 Greene Ave, Suite 300  
Westmount, Québec H3Z 2A4  
(514) 934-3034  
www.dorel.com

## NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an Annual Meeting (the “**Meeting**”) of holders of Class A Multiple Voting Shares and Class B Subordinate Voting Shares of Dorel Industries Inc. (the “**Company**”) will be held at the Ritz Carlton Hotel, 1228 Sherbrooke Street West, Montréal, Québec, on May 22, 2018 at 9:30 a.m. (eastern time). The purposes of the Meeting are to:

1. Receive and consider the consolidated financial statements of the Company for the fiscal year ended December 30, 2017 and the auditors’ report thereon;
2. Elect directors;
3. Appoint auditors and authorize the directors to fix their remuneration; and
4. Transact such other business as may properly be brought before the Meeting.

Only persons registered as shareholders on the records of the Company as of the close of business on April 9, 2018 (the “**Record Date**”) are entitled to receive notice of, and to vote or act at, the Meeting. No person who becomes a shareholder after the Record Date will be entitled to vote or act at the Meeting or any adjournment(s) thereof.

If you are unable to attend the Meeting in person, please date, sign and return the enclosed form of proxy. Proxies to be used at the Meeting must be deposited with Computershare Investor Services Inc. (Attention: Proxy Department), 100 University Avenue, 8<sup>th</sup> Floor, Toronto, Ontario M5J 2Y1 prior to 5:00 p.m. (eastern time) on May 17, 2018 or with the Secretary of the Company before the commencement of the Meeting or at any adjournment thereof.

DATED at Montréal, Québec  
April 9, 2018

BY ORDER OF THE BOARD OF DIRECTORS

A handwritten signature in black ink, appearing to read "Jeffrey Schwartz". The signature is written in a cursive, flowing style.

Jeffrey Schwartz  
Executive Vice-President, Chief Financial Officer and Secretary

## MANAGEMENT PROXY CIRCULAR

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### SOLICITATION OF PROXIES BY MANAGEMENT

**This Management Proxy Circular (the “Circular”) is furnished in connection with the solicitation by the management of Dorel Industries Inc. (the “Company”) of proxies to be used at the Annual Meeting of shareholders (the “Meeting”) of the Company to be held on May 22, 2018, at the time, place and for the purposes set out in the Notice of Meeting. It is expected that the solicitation will be made primarily by mail. However, officers and employees of the Company may also solicit proxies by telephone, telecopier, e-mail or in person. The total cost of solicitation of proxies will be borne by the Company. Pursuant to National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* (“NI 54-101”), arrangements have been made with clearing agencies, brokerage houses and other financial intermediaries to forward proxy-related materials to certain beneficial owners of the shares. See “Appointment and Revocation of Proxies – Notice to Beneficial Shareholders” below.**

**Except as otherwise indicated, the information contained herein is given as of April 9, 2018. Although the Company uses the U.S. dollar as its reporting currency, all references to “dollars” and the symbol “\$” in this Circular are to Canadian dollars, unless otherwise indicated.**

### INTERNET AVAILABILITY OF PROXY-RELATED MATERIALS

#### Notice-and-Access

The Company has elected to use “notice-and-access” rules (“**Notice-and-Access**”) under NI 54-101 for distribution of Proxy-Related Materials (as defined below) to shareholders who do not hold shares of the Company in their own names (referred to herein as “**Beneficial Shareholders**”) and to shareholders who hold their shares directly in their respective names (referred to herein as “**Registered Shareholders**”). Notice-and-Access is a set of rules that allows issuers to post electronic versions of proxy-related materials on SEDAR and on one additional website, rather than mailing paper copies. “**Proxy-Related Materials**” refers to this Circular, the Notice of Meeting and a voting instruction form or a form of proxy, as applicable.

The use of Notice-and-Access is more environmentally friendly as it helps reduce paper use. It also reduces the Company’s printing and mailing costs. Shareholders may obtain further information about Notice-and-Access by contacting: (i) for Registered Shareholders and Beneficial Shareholders with a 15-digit Control Number: Computershare Investor Services Inc. toll free at 1-866-964-0492 or on the internet at [www.computershare.com/noticeandaccess](http://www.computershare.com/noticeandaccess); or (ii) for Beneficial Shareholders with a 16-digit Control Number: Broadridge Financial Solutions, Inc. toll free at 1-855-887-2244.

#### Websites Where Proxy-Related Materials are Posted

The Proxy-Related Materials are available on the Company’s website at [www.dorel.com](http://www.dorel.com) and under the Company’s profile on SEDAR at [www.sedar.com](http://www.sedar.com).

## Notice Package

Although the Proxy-Related Materials have been posted on-line as noted above, Beneficial Shareholders will receive paper copies of a notice package (“**Notice Package**”) via prepaid mail, including the Notice of Meeting, containing information prescribed by NI 54-101 such as the date, time and location of the Meeting and the website addresses where the Proxy-Related Materials are posted, a voting instruction form and a supplemental mail list return card for Beneficial Shareholders to request they be included in the Company’s supplementary mailing list for receipt of the Company’s interim financial statements for the 2018 fiscal year.

Registered Shareholders will receive copies of the Notice of Meeting and a form of proxy via prepaid mail.

## How to Obtain Paper Copies of Proxy-Related Materials

Shareholders may obtain paper copies of this Circular free of charge by contacting: (i) for Registered Shareholders and Beneficial Shareholders with a 15-digit Control Number: Computershare Investor Services Inc. toll free at 1-866-962-0498 (within North America) or 514-982-8716 (outside North America); or (ii) for Beneficial Shareholders with a 16-digit Control Number: Broadridge Financial Solutions, Inc. toll free at 1-877-907-7643. Any request for paper copies which are required in advance of the Meeting should be sent so that the request is received by the Company by 5:00 p.m. (eastern time) on May 11, 2018 in order to allow sufficient time for shareholders to receive their paper copies and to return their voting instruction form or form of proxy, as applicable, by its due date. After the Meeting date, shareholders may obtain paper copies of the Circular free of charge by contacting the Secretary of the Company at 514-934-3034.

## APPOINTMENT AND REVOCATION OF PROXIES

### Appointment of Proxy

A Registered Shareholder who is unable to attend the Meeting in person is requested to complete and sign the enclosed form of proxy and to deliver it to Computershare Investor Services Inc. (i) by mail or hand delivery to Proxy Department, 100 University Avenue, 8<sup>th</sup> Floor, Toronto, Ontario M5J 2Y1, or (ii) by facsimile to 416-263-9524 or 1-866-249-7775. A Registered Shareholder may also vote using the internet at [www.investorvote.com](http://www.investorvote.com) or telephone at 1-866-732-8683. In order to be valid and acted upon at the Meeting, the form of proxy must be received no later than 5:00 p.m. (eastern time) on May 17, 2018 or deposited with the Secretary of the Company before the commencement of the Meeting or any adjournment thereof.

The document appointing a proxy must be in writing and executed by the Registered Shareholder or his attorney authorized in writing or, if the Registered Shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized.

**A Registered Shareholder submitting a form of proxy has the right to appoint a person (who need not be a shareholder) to represent him or her at the Meeting other than the persons designated in the form of proxy furnished by the Company. To exercise that right, the name of the Registered Shareholder’s appointee should be legibly printed in the blank space provided. In addition, the Registered Shareholder should notify the appointee of such person’s appointment, obtain such person’s consent to act as appointee and instruct the appointee on how the Registered Shareholder’s shares are to be voted.**

Shareholders who are not Registered Shareholders should refer to “Notice to Beneficial Holders of Shares” below.

### Revocation of Proxy

A Registered Shareholder who has submitted a form of proxy as directed hereunder may revoke it at any time prior to the exercise thereof. If a Registered Shareholder who has given a proxy personally attends the Meeting at which that proxy is to be voted, that Registered Shareholder may revoke the proxy and vote in person. In addition to the revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing executed by the Registered Shareholder or his attorney or authorized agent and deposited with (i) Computershare Investor Services Inc. at any time up to 5:00 p.m. (eastern time) on May 17, 2018 by mail or by hand delivery to Proxy Department, 100 University Avenue, 8<sup>th</sup> Floor, Toronto, Ontario M5J 2Y1, or by facsimile to 416-263-9524 or 1-866-249-7775, or (ii) with the Secretary of the Company on the day of the Meeting before the commencement thereof, or any adjournment thereof, and upon any such deposit, the proxy will be revoked.

## Notice to Beneficial Shareholders

The information set out in this section is of importance to many shareholders, as a substantial number of shareholders are Beneficial Shareholders and do not hold shares of the Company in their own names. Beneficial Shareholders should note that only proxies deposited by Registered Shareholders (shareholders whose names appear on the records of the Company as the registered holders of shares) can be recognized and acted upon at the Meeting or any adjournment(s) thereof. If shares are listed in an account statement provided to a shareholder by a broker, then in almost all cases those shares will not be registered in the shareholder's name on the records of the Company. Those shares will more likely be registered under the name of the shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for CDS Clearing and Depository Services Inc., which acts as nominee for many Canadian brokerage firms). Shares held by brokers or their nominees can be voted (for or against resolutions or withheld from voting) only upon the instructions of the Beneficial Shareholder. Without specific instructions, the broker/nominees are prohibited from voting shares for their clients. Subject to the following discussion in relation to NOBOs (as defined below), the Company does not know for whose benefit the shares of the Company registered in the name of CDS & Co., a broker or another nominee are held.

There are two categories of Beneficial Shareholders for the purposes of applicable securities regulatory policy in relation to the mechanism of dissemination to Beneficial Shareholders of proxy-related materials and other security holder materials and the request for voting instructions from such Beneficial Shareholders. Non-objecting beneficial owners ("NOBOs") are Beneficial Shareholders who have advised their intermediary (such as brokers or other nominees) that they do not object to their intermediary disclosing ownership information to the Company, consisting of their name, address, e-mail address, securities holdings and preferred language of communication. **Securities legislation restricts the use of that information to matters strictly relating to the affairs of the Company.** Objecting beneficial owners ("OBOs") are Beneficial Shareholders who have advised their intermediary that they object to their intermediary disclosing such ownership information to the Company.

In accordance with the requirements of NI 54-101, the Company is sending the Notice Package directly to NOBOs and indirectly through intermediaries to OBOs. NI 54-101 permits the Company, in its discretion, to obtain a list of its NOBOs from intermediaries and use such NOBO list for the purpose of distributing the Notice Package directly to, and seeking voting instructions directly from, such NOBOs. As a result, the Company is entitled to deliver the Notice Package to Beneficial Shareholders in two manners: (a) directly to NOBOs and indirectly through intermediaries to OBOs; or (b) indirectly to all Beneficial Shareholders through intermediaries. In accordance with the requirements of NI 54-101, the Company is sending the Notice Package directly to NOBOs and indirectly through intermediaries to OBOs. The cost of the delivery of the Notice Package by intermediaries to OBOs will be borne by the Company.

The Company has used a NOBO list to send the Notice Package directly to NOBOs whose names appear on that list. If the Company's transfer agent, Computershare Investor Services Inc., has sent these materials directly to a NOBO at the request of the Company, such NOBO's name and address and information about its holdings of shares of the Company have been obtained from the intermediary holding such shares on the NOBO's behalf in accordance with applicable securities regulatory requirements. As a result, any NOBO of the Company can expect to receive a voting instruction form from Computershare Investor Services Inc. NOBOs should complete and return the voting instruction form to Computershare Investor Services Inc. in the envelope provided. In addition, telephone voting and internet voting are available; instructions in respect of the procedure for telephone and internet voting can be found in the voting instruction form. Computershare Investor Services Inc. will tabulate the results of voting instruction forms received from NOBOs and will provide appropriate instructions at the Meeting with respect to the shares represented by such voting instruction forms.

Applicable securities regulatory policy requires intermediaries, on receipt of Notice Packages that seek voting instructions from Beneficial Shareholders indirectly, to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings on Form 54-101F7 (Request for Voting Instructions Made by Intermediary). Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their shares are voted at the Meeting or any adjournment(s) thereof. Often, the form of request for voting instructions supplied to a Beneficial Shareholder by its broker is identical to the form of proxy provided to Registered Shareholders; however, its purpose is limited to instructing the Registered Shareholder how to vote on behalf of the Beneficial Shareholder. Beneficial Shareholders who wish to appear in person and vote at the Meeting should be appointed as their own representatives at the Meeting in accordance with the directions of their intermediaries and Form 54-101F7. Beneficial Shareholders can also write the name of someone else whom they wish to appoint to attend the Meeting and vote on their behalf. Unless prohibited by law, the person whose name is written in the space provided in Form 54-101F7 will have full authority to present matters to the Meeting and vote on all matters that are presented at the Meeting, even if those matters are not set out in Form 54-101F7 or the Circular.

The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (“**Broadridge**”). In forwarding the Notice Package to Beneficial Shareholders, Broadridge typically includes a voting instruction form in lieu of the form of proxy that some intermediaries employ. Beneficial Shareholders are requested to complete and return the voting instruction form to Broadridge by mail or facsimile. Alternatively, Beneficial Shareholders can call a toll-free telephone number to vote the shares held by them or access Broadridge’s dedicated voting website at <https://central-online.proxyvote.com> to deliver their voting instructions. Broadridge will then provide aggregate voting instructions to the Company’s transfer agent and registrar, which tabulates the results and provides appropriate instructions respecting the voting of shares to be represented at the Meeting or any adjournment(s) thereof.

### **EXERCISE OF DISCRETION BY PROXIES**

**Shares represented by properly-executed proxies in favour of the persons designated in the enclosed form of proxy, in the absence of any direction to the contrary, will be voted FOR the: (i) election of directors, and (ii) appointment of auditors, as stated under such headings in this Circular.** Instructions with respect to voting will be respected by the persons designated in the enclosed form of proxy. With respect to amendments or variations to matters identified in the Notice of Meeting and with respect to other matters that may properly come before the Meeting, such shares will be voted by the persons so designated in their discretion. As of the date hereof, management of the Company knows of no such amendments, variations or other matters to come before the Meeting.

### **VOTING SHARES**

As at April 9, 2018, there were 4,189,275 Class A Multiple Voting Shares and 28,249,171 Class B Subordinate Voting Shares of the Company issued and outstanding. Each Class A Multiple Voting Share entitles the holder thereof to ten votes while each Class B Subordinate Voting Share entitles the holder thereof to one vote. The Company has fixed April 9, 2018 as the record date (the “**Record Date**”) for the purpose of determining shareholders entitled to receive notice of the Meeting. Any registered shareholder of record as at the close of business on the Record Date will be entitled to vote at the Meeting.

The Company’s Class B Subordinate Voting Shares are restricted securities in that the Company’s Class A Multiple Voting Shares carry a greater vote per security than the Class B Subordinate Voting Shares. As set out above, the Class A Multiple Voting Shares entitle the holders thereof to ten votes per share while the Class B Subordinate Voting Shares entitle the holders thereof to one vote per share at meetings of shareholders of the Company, subject to the condition that the Class B Subordinate Voting Shares entitle the holders thereof to ten votes per share on any vote in respect of the liquidation, dissolution or winding-up of the Company or the sale, lease or exchange of all or substantially all of its property. In the aggregate, all of the voting rights associated with the Class B Subordinate Voting Shares represented, as at April 9, 2018, 40.3% of the voting rights attached to all of the Company’s issued and outstanding voting securities.

Only shareholders of record as at the close of business on the Record Date will receive notice of, and be entitled to attend and vote at, the Meeting. A shareholder of record on the Record Date will be entitled to vote those shares included in the list of shareholders entitled to vote at the Meeting prepared as at the Record Date, even though the shareholder may subsequently dispose of his or her shares. No shareholder who has become a shareholder after the Record Date will be entitled to attend or vote at the Meeting or any adjournment(s) thereof.

#### ***Take-over Bid Protection***

In the event that an offer is made to purchase Class A Multiple Voting Shares and constitutes a “take-over bid” within the meaning of applicable securities legislation, each Class B Subordinate Voting Share will become convertible at the option of the holder, at any time while such offer is in effect, into one Class A Multiple Voting Share. The conversion right may be exercised only for the purpose of depositing the resulting Class A Multiple Voting Shares in response to the offer and the transfer agent and registrar of the Company will deposit the resulting Class A Multiple Voting Shares on behalf of the shareholder. No share certificates representing Class A Multiple Voting Shares will be delivered to the shareholder in such circumstances.

If: (i) Class A Multiple Voting Shares resulting from the conversion and deposited pursuant to the offer are subsequently withdrawn by the shareholder or are not taken up by the offeror; or (ii) the offer is abandoned or withdrawn by the offeror, the Class A Multiple Voting Shares will be re-converted into Class B Subordinate Voting Shares and a share certificate representing the Class B Subordinate Voting Shares will be sent to the shareholder by the transfer agent and registrar of the Company. All Class A Multiple Voting Shares resulting from the conversion which are taken up and paid for by the offeror

will be deemed to be re-converted into Class B Subordinate Voting Shares at the time the offeror is required under the relevant securities legislation to take up and pay for such shares.

In the event that the offeror takes up and pays for the Class A Multiple Voting Shares resulting from conversion, the transfer agent and registrar of the Company will deliver to the holders thereof the consideration paid for such shares by the offeror.

In light of the foregoing, there will be no right to convert the Class B Subordinate Voting Shares into Class A Multiple Voting Shares in the following cases:

- (a) the offer to purchase Class A Multiple Voting Shares is not required under applicable securities legislation or the rules of a stock exchange on which the Class A Multiple Voting Shares are then listed to be made to all or substantially all holders of Class A Multiple Voting Shares who are in a province of Canada to which the legislation applies, that is, the offer is an “exempt take-over bid” within the meaning of the foregoing securities legislation or stock exchange rules;
- (b) an offer to purchase Class B Subordinate Voting Shares is made concurrently with the offer to purchase Class A Multiple Voting Shares and the two offers are identical with respect to price per share, percentage of outstanding shares for which the offer is made and in all other material respects. The offer to purchase the Class B Subordinate Voting Shares must be unconditional, subject to the exception that the offer for the Class B Subordinate Voting Shares may contain a condition to the effect that the offeror not be required to take up and pay for Class B Subordinate Voting Shares tendered in response to the offer if no shares are purchased pursuant to the contemporaneous offer for the Class A Multiple Voting Shares; or
- (c) holders of Class A Multiple Voting Shares representing, in the aggregate, more than 50% of the then-outstanding Class A Multiple Voting Shares (excluding shares owned immediately prior to the offer by the offeror and any “joint actor”, as defined in the relevant securities legislation) certify to the transfer agent and registrar and to the Secretary of the Company that they will not tender any shares in response to the offer for the Class A Multiple Voting Shares.

**PRINCIPAL SHAREHOLDERS**

As at April 9, 2018, to the best knowledge of the Company, the following persons beneficially owned, or exercised control or direction over, directly or indirectly, more than 10% of the Class A Multiple Voting Shares of the Company:

<u>Name and place of residence</u>	<u>Number of shares held</u>	<u>Percentage of class</u>
Alan Schwartz..... Westmount, Québec, Canada	1,060,160	25.31%
Martin Schwartz..... Westmount, Québec, Canada	1,054,160	25.16%
Jeffrey Schwartz..... Toronto, Ontario, Canada	1,054,160	25.16%
Jeff Segel..... Westmount, Québec, Canada	831,480	19.85%

As at April 9, 2018, to the best knowledge of the Company, the following persons beneficially owned, directly or indirectly, or exercised control or direction over, more than 10% of the Class B Subordinate Voting Shares of the Company:

<u>Name and place of residence</u>	<u>Number of shares held</u>	<u>Percentage of class</u>
Letko, Brosseau & Associates Inc. <sup>(1)</sup> ..... Montréal, Québec, Canada	4,997,863	17.69%
Fidelity Management & Research Company <sup>(2)</sup> ..... Boston, Massachusetts, U.S.A.	4,074,320	14.42%
Brandes Investment Partners, L.P. <sup>(3)</sup> ..... San Diego, California, U.S.A.	3,568,175	12.63%

- (1) This information is taken from an “alternative monthly report” filed on SEDAR by Letko, Brosseau & Associates Inc. on November 9, 2017. As disclosed in such report, Letko, Brosseau & Associates Inc. maintains exclusive power to exercise investment control or direction over these shares, which are owned by accounts it manages, and which were acquired in the ordinary course of business, for investment purposes only and not for the purpose of exercising control or direction over the Company.
- (2) This information is taken from an “early warning report” filed on SEDAR by Fidelity Management & Research Company on October 10, 2014. As disclosed in such “early warning report”, these shares are held by Fidelity Management & Research Company and certain affiliates as a portfolio manager on behalf of certain managed funds or accounts, and were acquired in the ordinary course of business, for investment purposes only and not with the purpose of exercising control or direction over the Company.
- (3) This information is taken from an “alternative monthly report” filed on SEDAR by Brandes Investment Partners, L.P. on July 10, 2017. As disclosed in such “early warning report”, Brandes Investment Partners, L.P. has control but not ownership of these shares and acquired the shares in the ordinary course of its business of investing for and on behalf of investment advisory clients and not for the purpose of changing or influencing the control of the Company.

## **BUSINESS TO BE TRANSACTED AT THE MEETING**

This Circular contains information relating to the receipt of the Company’s audited consolidated financial statements, the election of directors and the appointment of auditors.

### **1. Financial Statements**

The audited consolidated financial statements of the Company for the fiscal year ended December 30, 2017 and the report of the auditors thereon will be tabled at the Meeting. These audited consolidated financial statements form part of the 2017 Annual Report of the Company. Copies of the 2017 Annual Report may be obtained from the Secretary of the Company upon request and will be available at the Meeting.

### **2. Election of Directors**

The Board of Directors currently consists of nine directors. At the Meeting, shareholders will be asked to vote for the election of nine directors. The persons named in the enclosed form of proxy intend to vote for the election of the nine nominees whose names are set out below. All nominees are currently directors of the Company. Voting for directors will be made on an individual basis. Each director will hold office until the next annual meeting of shareholders or until the election of his or her successor, unless the director resigns or the office becomes vacant by removal, death or other cause.

The following table sets out the name, age and province or state of residence of each of the nine persons proposed to be nominated for election as director, all other positions and offices with the Company now held by such person, his or her principal occupation, the year in which such person became a director of the Company, the number of Class A Multiple Voting Shares and Class B Subordinate Voting Shares of the Company that such person has advised are beneficially owned or over which control or direction is exercised, directly or indirectly, by such person as at the date indicated below, the number of Class B Subordinate Voting Shares in respect of which each such person holds options, the number of deferred share units (“DSUs”) held and the total value of shares and DSUs. The table also sets out membership of the directors on the four committees of the Board of Directors, namely, the Audit Committee, Human Resources and Compensation Committee (the “HRCC”), Corporate Governance and Nominating Committee (the “CGNC”) and Disclosure Committee.

As at April 9, 2018

Name, province/state of residence, age and principal occupation	First year as director	Position(s) on the Board	Number of shares beneficially owned or over which control is exercised		Number of Class B shares subject to option	Number of DSUs held	Total value of shares and DSUs <sup>(3)</sup> (\$)
			Class A	Class B			
			Martin Schwartz Québec, Canada Age: 69 President and Chief Executive Officer of the Company	1987			

Martin Schwartz is a co-founder of Ridgewood Industries Ltd., which was merged with several associated companies to create the Company, which subsequently went public in 1987. Originally Executive Vice-President of the Company, Mr. Schwartz has held the position of President and Chief Executive Officer since 1992.

Jeff Segel Québec, Canada Age: 67 Executive Vice-President, Sales and Marketing of the Company	1987	Director	831,480	529,650	—	14,241 <sup>(1)</sup>	39,772,168
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Jeff Segel is a co-founder of Ridgewood Industries Ltd. Mr. Segel held the position of Vice-President, Sales and Marketing of the Company from 1987 to 2003. In 2003, Mr. Segel's title was changed to Executive Vice-President, Sales and Marketing.

Alan Schwartz Québec, Canada Age: 66 Executive Vice-President, Operations of the Company	1987	Director	1,060,160	448,778	—	3,331 <sup>(1)</sup>	43,776,138
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Alan Schwartz is a co-founder of Ridgewood Industries Ltd. Mr. Schwartz held the position of Vice-President, Operations of the Company from 1989 to 2003. In 2003, Mr. Schwartz's title was changed to Executive Vice-President, Operations.

Jeffrey Schwartz Ontario, Canada Age: 55 Executive Vice-President, Chief Financial Officer and Secretary of the Company	1987	Director, Member of the Disclosure Committee	1,054,160	547,980	—	18,071 <sup>(1)</sup>	46,875,452
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Jeffrey Schwartz, previously Vice-President of the Juvenile Division of the Company, was the Company's Vice-President, Finance from 1989 to 2003. In 2003, his title was changed to Executive Vice-President, Chief Financial Officer and Secretary. Mr. Schwartz is a graduate of McGill University in Montréal, Québec, in the field of business administration.

Maurice Tousson Ontario, Canada Age: 69 Chairman DAVIDsTEA Inc.	1995	Lead Director, Chair of the HRCC	1,301	—	—	41,503 <sup>(2)</sup>	1,230,162
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Maurice Tousson is Chairman of the Board of Directors of DAVIDsTEA Inc. He is the former President and Chief Executive Officer of CDREM Group Inc., a chain of retail stores known as Centre du Rasoir or Personal Edge, a position he held from January 2000. Mr. Tousson has held executive positions at well-known Canadian specialty stores, including Chateau Stores of Canada, Consumers Distributing and Sports Experts, with responsibilities for operations, finance, marketing and corporate development. Mr. Tousson holds an MBA degree from Long Island University in New York.



As at April 9, 2018

Name, province/state of residence, age and principal occupation	First year as director	Position(s) on the Board	Number of shares beneficially owned or over which control is exercised		Number of Class B shares subject to option	Number of DSUs held	Total value of shares and DSUs <sup>(3)</sup> (\$)
			Class A	Class B			

Dian Cohen Ontario, Canada Age: 85 Corporate Director (economic consultant)	2004	Director, Chair of the CGNC, Member of the HRCC	—	500 <sup>(4)</sup>	—	28,673 <sup>(2)</sup>	838,140
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Dian Cohen is an economist by training and a consultant in financial, business, economic information and corporate governance to government, privately-owned businesses, publicly-traded corporations and not-for-profit organizations. She has served on the Board of Directors of some of Canada's largest publicly-traded companies and several not-for-profit entities. Ms. Cohen was CTV's first national business editor; her radio and television commentaries and analyses as well as her syndicated print columns enjoyed a wide following. In addition to the Company, Ms. Cohen serves on the Board of Massawippi Valley Foundation and the Massawippi Valley Health Centre. She is a member of the Order of Canada and the Order of Manitoba.

Alain Benedetti, FCPA, FCA, ICD.D Québec, Canada Age: 69 Corporate Director	2004	Director, Chair of the Audit Committee, Member of the HRCC	—	—	—	32,906 <sup>(2)</sup>	945,389
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Alain Benedetti, FCPA, FCA, ICD.D, is the retired Vice-Chairman of Ernst & Young LLP, where he worked for 34 years, most recently as the Canadian area managing partner, overseeing all Canadian operations. Prior thereto, he was the managing partner for eastern Canada and the Montréal office. Mr. Benedetti has extensive experience with both public and private companies and currently serves on the Board of Directors of Russel Metals Inc. A former Chair of the Canadian Institute of Chartered Accountants, Mr. Benedetti has served on the Audit Committee of the Company since 2004 and has been its Chair since 2005.

Rupert Duchesne Ontario, Canada Age: 58 Corporate Director	2009	Director, Member of the Audit Committee and CGNC	—	— <sup>(4)</sup>	—	30,220 <sup>(2)</sup>	868,221
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Rupert Duchesne retired in early 2017 from Aimia Inc. (TSX: AIM) where he was the founding Chief Executive and a Director, and grew the company over 15 years to be a global leader in loyalty marketing and data-analytics with businesses and clients in more than 20 countries. Mr. Duchesne previously held a number of senior officer positions at Air Canada from 1996, and prior thereto was involved in strategy and investment consulting. He is currently a Director of Mattamy Homes Limited. He was previously a Director of Alliance Atlantis Communications Inc. Mr. Duchesne is a Member of the Order of Canada. He holds an MBA degree from Manchester Business School and a B.Sc. (Hons) degree from Leeds University in the United Kingdom.

Michelle Cormier, CPA, CA Québec, Canada Age: 61 Operating Partner Wynnchurch Capital (Canada) Ltd. (private equity fund)	2015	Director, Member of the Audit Committee and CGNC	—	800	—	7,050 <sup>(2)</sup>	225,531
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Michelle Cormier, CPA, CA, is Operating Partner for the Québec-based investments of Wynnchurch Capital (Canada) Ltd., a \$2.3 billion private equity fund. Prior to joining Wynnchurch, she was Chief Financial Officer of a privately-held company, spent 13 years in senior management and as Chief Financial Officer of a publicly-traded forest products company with operations in Canada and the United States and spent eight years in various management positions with Alcan Aluminium Limited. Ms. Cormier has extensive senior management experience in financial management, corporate finance, turnaround and strategic advisory situations and corporate governance. Ms. Cormier possesses capital markets background with extensive experience in public markets in Canada and the United States. She serves on the Boards of Directors of Uni-Sélect Inc., Cascades Inc. and Champion Iron Limited.

- (1) The DSUs were issued under the Executive Deferred Share Unit Plan.
- (2) The DSUs were issued under the 2004 Directors' Deferred Share Unit Plan.
- (3) The total value of shares and DSUs is determined by multiplying the number of Class A Multiple Voting Shares by the closing price (\$29.04) on the Toronto Stock Exchange ("TSX") of the Class A Multiple Voting Shares, the number of Class B Subordinate Voting Shares by the closing price (\$28.73) on the TSX of the Class B Subordinate Voting Shares, and the number of DSUs by the closing price (\$28.73) on the TSX of the Class B Subordinate Voting Shares, in each case as at April 9, 2018, and adding the three products.
- (4) In addition, Ms. Cohen and Mr. Duchesne each own a debenture of the Company in an amount of US \$5,000, which is convertible into Class B Subordinate Voting Shares.

To the knowledge of the Company, none of the foregoing nominees for election as a director of the Company is or within the last ten years has been a director, chief executive officer or chief financial officer of any company that:

- (a) was subject to a cease trade or similar order, or an order that denied such company access to any exemption under applicable securities legislation that was in effect for a period of more than 30 consecutive days (an "**Order**") that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer of such company; or
- (b) was subject to an Order that was issued after the proposed director 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 of such company.

Other than as set below, to the knowledge of the Company, none of the foregoing nominees for election as a director of the Company:

- (a) is, or has been within the last ten years, a director or executive officer of any company that, while the proposed director 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) has within the last ten years 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 appointed to hold his or her assets.

Furthermore, to the knowledge of the Company, none of the nominees for election as a director of the Company has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a proposed director.

Michelle Cormier was asked to chair and conduct the restructuring of Adaltis Inc., a company involved in biotesting with operations in Italy, China and Montréal from 2009 to 2010. Upon her recommendation, the company was closed and then became bankrupt in 2010. In January 2017, Ms. Cormier was asked by the remaining senior secured creditor and by the sole shareholder of Calyx Transportation Inc. ("Calyx") to become the sole director and officer of Calyx. In this capacity, her mandate was to wind down Calyx in the most efficient manner, following the sale, in December 2016, by Calyx of all assets and businesses in which it operated. The large majority of net proceeds from such sales were used to repay bank indebtedness, employee severances and suppliers. Following all such payments, the cash on hand was insufficient to repay the remaining secured creditor. Given the insolvency of Calyx, Ms. Cormier in her capacity of director of Calyx approved a voluntary assignment in bankruptcy pursuant to the *Bankruptcy and Insolvency Act* (Canada) in order to complete the wind down of Calyx's affairs and discharge her mandate.

### **Majority Voting for Directors**

In March 2013, the Board of Directors adopted a majority-voting policy. Under this policy, in an uncontested election of directors, any nominee proposed for election as a director who receives a greater number of "withheld" votes than "for" votes is expected promptly following the date of the shareholders' meeting at which the election occurred to tender his or her resignation to the President and Chief Executive Officer for consideration by the CGNC, with the resignation to take effect upon acceptance by the Board of Directors. This policy applies only to "uncontested elections", that is, elections where the number of nominees for director is equal to the number of directors to be elected.

The Board of Directors will act on the CGNC’s recommendation within 90 days following the date of the shareholders’ meeting at which the election occurred. Following the Board of Directors’ decision on the CGNC’s recommendation, the Board of Directors will promptly disclose, by way of a press release, the Board of Directors’ decision whether or not to accept the director’s offer of resignation, together with an explanation of the process by which the decision was made and, if applicable, the Board of Directors’ reason or reasons for rejecting the tendered resignation.

The CGNC will be expected to accept the resignation except in situations where extenuating circumstances would warrant that the director continue to serve on the Board of Directors. In considering whether or not to accept a resignation, the CGNC will consider all factors deemed relevant by the CGNC, including the stated reasons why shareholders “withheld” votes from the election of that nominee, the length of service and the qualifications of the director whose resignation has been tendered (including, for example, the impact the director’s resignation would have on the Company’s compliance with the requirements of applicable corporate and securities laws and the rules of any stock exchange on which the Company’s securities are listed or posted for trading), such director’s contributions to the Company, and whether the director’s resignation from the Board of Directors would be in the best interests of the Company.

The CGNC will also consider a range of possible alternatives concerning the director’s tendered resignation as the CGNC deems appropriate, including acceptance of the resignation, rejection of the resignation, or rejection of the resignation coupled with a commitment to seek to address and cure the underlying reasons reasonably believed by the CGNC to have substantially resulted in the “withheld” votes.

A director who tenders his or her resignation will not participate in any meetings to consider whether the resignation will be accepted.

Shareholders should note that, as a result of the majority-voting policy, a “withhold” vote is effectively the same as a vote against a director nominee in an uncontested election.

### **Election of Directors - 2017**

At the annual meeting of shareholders of the Company held on May 25, 2017, all candidates proposed as directors were duly elected to the Board of Directors of the Company by a majority of the votes cast by shareholders present or represented by proxy at such meeting, as follows:

<u>Name of Nominee</u>	<u>Votes for</u>	<u>%</u>	<u>Votes Withheld</u>	<u>%</u>
Martin Schwartz.....	63,166,246	97.13	1,863,627	2.87
Alan Schwartz.....	63,621,625	97.83	1,408,248	2.17
Jeffrey Schwartz.....	62,307,439	95.81	2,722,434	4.19
Jeff Segel .....	63,622,876	97.84	1,406,997	2.16
Alain Benedetti .....	64,185,896	98.70	843,977	1.30
Dian Cohen.....	64,075,615	98.53	954,258	1.47
Michelle Cormier.....	64,590,578	99.32	439,295	0.68
Rupert Duchesne.....	63,990,325	98.40	1,039,548	1.60
Maurice Tousson.....	63,767,037	98.06	1,262,836	1.94

### **3. Appointment of Auditors**

Except where authorization to vote with respect to the appointment of auditors is withheld, the persons named in the accompanying form of proxy intend to vote **FOR** the appointment of KPMG LLP, Chartered Professional Accountants, as the auditors of the Company until the next annual meeting of shareholders and to authorize the directors to fix their remuneration.

## COMPENSATION OF DIRECTORS

In designing a compensation program for non-management directors, the objective is to ensure that the Company attracts and retains highly-qualified, committed and talented members, with an extensive level of experience as well as to align interests of directors with those of the Company's shareholders.

The CGNC reviews on an annual basis the compensation of the independent directors of the Company and recommends to the Board of Directors the level of compensation and any adjustments necessary to take into account the level of work and the responsibilities of the members of the Board of Directors and its committees.

### *Summary Compensation Table*

The following table sets out information for the fiscal year ended December 30, 2017 regarding the compensation paid or earned by the independent directors of the Company, excluding dividend equivalents payable under the 2004 Directors' Deferred Share Unit Plan ("DSU Plan"):

Name	Fees earned <sup>(1)</sup> (\$)	Share-based awards <sup>(2)</sup> (\$)	Option-based awards <sup>(3)</sup> (\$)	Non-equity incentive plan compensation (\$)	Pension value <sup>(4)</sup> (\$)	All other compensation (\$)	Total (\$)
Alain Benedetti	163,500	—	—	—	—	—	163,500
Dian Cohen	109,312	36,438	—	—	—	—	145,750
Michelle Cormier	56,800	85,200	—	—	—	—	142,000
Rupert Duchesne	—	135,750	—	—	—	—	135,750
Maurice Tousson	185,250	—	—	—	—	—	185,250

- (1) This amount consists of the cash portion of the total fees earned by the members of the Board of Directors. Each year, the directors have to elect to receive their fees earned either in the form of DSUs issued under the DSU Plan or in cash (see below for discussion). The portion paid in DSUs to any non-management director is reported under the column "Share-based awards".
- (2) This amount consists of the value of the fees earned in the form of DSUs elected by the directors under the DSU Plan (see below for discussion).
- (3) The Company did not grant any option-based awards to its independent directors during the fiscal year ended December 30, 2017.
- (4) The Company does not have a retirement plan or a retirement policy for members of the Board of Directors.

### *Fees Earned*

Members of the Board of Directors who are not employees or officers of the Company receive an annual fee for serving as directors, as well as certain additional fees for attendance and committee membership, as applicable, and are reimbursed for their travel and out-of-pocket expenses. In 2017, the Company paid the following directors' fees:

- annual director's fee: \$110,000
- additional fee for the Lead Director: \$35,000
- Audit Committee Chair fee: \$25,000
- Audit Committee member fee (other than the Chair): \$5,000
- HRCC Chair fee: \$15,000
- HRCC member fee (other than the Chair): \$3,000
- CGNC Chair fee: \$10,000
- CGNC member fee (other than the Chair): \$3,000
- Board of Directors and committee meeting fee: \$1,500 per meeting.

The following table sets out fees paid or earned by the independent directors during the fiscal year ended December 30, 2017, excluding dividend equivalents payable under the DSU Plan:

Name	Annual fee (\$)	Committee fees (\$)	Board attendance fees (\$)	Committee attendance fees(\$)	Total fees (\$)
Alain Benedetti	110,000	28,000	12,000	13,500	163,500
Dian Cohen	110,000	11,750	13,500	10,500	145,750
Michelle Cormier	110,000	8,000	12,000	12,000	142,000
Rupert Duchesne	110,000	9,250	9,000	7,500	135,750
Maurice Tousson	145,000	16,250	13,500	10,500	185,250

### *Directors' Shareholding Requirements*

The Board of Directors has determined that each director should hold a minimum number of shares of the Company, equivalent in value to four years of directors' annual fees. The purpose of this share ownership requirement is to promote greater alignment of interests between eligible directors and the shareholders of the Company. The minimum share ownership threshold must be reached within five years of initial election or appointment to the Board of Directors. All of the members of the Board of Directors who have been directors for at least five years currently comply with the minimum share ownership requirement.

The following table sets out information as at December 30, 2017 on the number and value of the Class A Multiple Voting Shares and/or Class B Subordinate Voting Shares of the Company and/or DSUs held by the independent directors of the Company:

Name	Number of Class A Shares	Number of Class B Shares	Total Value of Shares <sup>(1)</sup> (\$)	Number of DSUs	Total Value of DSUs <sup>(2)</sup> (\$)	Total Number of Shares and DSUs	Total Value of Shares and DSUs (\$)	Share Ownership Threshold Met
Alain Benedetti	—	—	—	32,510	1,011,061	32,510	1,011,061	yes
Dian Cohen	—	500	15,550	28,328	881,001	28,828	896,551	yes
Michelle Cormier	—	800	24,880	6,152	191,327	6,952	216,207	no <sup>(3)</sup>
Rupert Duchesne	—	—	—	29,856	928,522	29,856	928,522	yes
Maurice Tousson	1,301	—	40,838	41,003	1,275,193	42,304	1,316,031	yes

- (1) The Total Value of Shares is determined by multiplying the number of Class A Multiple Voting Shares and Class B Subordinate Voting Shares held at fiscal year-end (December 30, 2017) by the closing price (\$31.39) of the Class A Multiple Voting Shares and the closing price (\$31.10) of the Class B Subordinate Voting Shares, respectively, on the TSX on December 29, 2017, and adding the two products.
- (2) The Total Value of DSUs is determined by multiplying the number of DSUs held at fiscal year-end (December 30, 2017) by the closing price (\$31.10) of the Class B Subordinate Voting Shares on the TSX on December 29, 2017.
- (3) Michelle Cormier was first elected as a director on May 28, 2015 and consequently has until May 28, 2020 to meet the minimum share ownership requirement.

To facilitate the acquisition of the minimum number of shares, the Board of Directors established the DSU Plan for the Company's external directors. Under the DSU Plan, an external director may elect annually to have his or her director's fees and fees for attending meetings of the Board of Directors or committees thereof paid in the form of DSUs. A participant in the DSU Plan may also receive dividend equivalents. The number of DSUs received by a director is determined by dividing the amount of the fees to be paid in the form of DSUs on that date or dividends to be paid on a payment date (the "Award Date"), as the case may be, by the fair market value of the Class B Subordinate Voting Shares on the Award Date. The Award Date is generally the last business day of each quarter of the Company's fiscal year in the case of fees and the date on which the dividends are payable in the case of dividends. The fair market value of the Class B Subordinate Voting Shares is equal to their average closing price on the TSX during the five trading days preceding the Award Date. DSUs are credited to an account maintained for each director by the Company.

Under the DSU Plan, upon the end of a director's service with the Company, the director will receive either:

- (a) a cash amount equal to the number of DSUs in the director's account multiplied by the fair market value of the Class B Subordinate Voting Shares on the date on which a notice of redemption is filed with the Company by the director. The fair market value of the Class B Subordinate Voting Shares will be equal to their average closing price during the five trading days preceding the redemption date;
- (b) a number of Class B Subordinate Voting Shares equal to the number of DSUs in the director's account. Such Class B Subordinate Voting Shares will be purchased by the Company on the TSX or issued from treasury; or
- (c) a combination of cash and Class B Subordinate Voting Shares.

In the event of the death of a participant, provided that a notice of redemption is not filed with the Secretary of the Company in accordance with the terms of the DSU Plan, the Company will make a payment in cash, Class B Subordinate Voting Shares, or a combination thereof, as elected by the Board of Directors and calculated in accordance with the terms of the DSU Plan, within 15 days of the participant's death, in each case to or for the benefit of the beneficiary of the participant.

Subject to applicable law, a participant may designate in writing a person who is a dependent or relation as a beneficiary to receive any amount payable under the DSU Plan on the death of such participant, and may change such designation from time to time. Such designation must be in such form and executed and filed in such manner as the Board of Directors may from time to time determine. If no beneficiary is designated, the participant's legal representative will receive any amount payable under the DSU Plan.

The mode of payment to a participant will be determined by the Board of Directors in its discretion. All payments will be made net of applicable taxes. No financial assistance is provided by the Company to the external directors in connection with the DSU Plan.

On March 10, 2010, the Board of Directors adopted an amendment to the DSU Plan so as to increase the number of Class B Subordinate Voting Shares which were available for issuance under the DSU Plan by an additional 100,000 Class B Subordinate Voting Shares, thereby bringing the maximum number of Class B Subordinate Voting Shares available for issuance from treasury under the DSU Plan to 175,000, representing 0.61% of the outstanding Class B Subordinate Voting Shares of the Company as at December 30, 2009. This amendment to the DSU Plan was ratified by shareholders at the annual and special general meeting of the shareholders of the Company held on May 27, 2010.

On November 5, 2015, the Board of Directors adopted an amendment to the DSU Plan, amending its amendment provisions and on March 23, 2016, adopted another amendment to the DSU Plan so as to increase the number of Class B Subordinate Voting Shares which are available for issuance under the DSU Plan by an additional 175,000 Class B Subordinate Voting Shares, thereby bringing the maximum number of Class B Subordinate Voting Shares available for issuance from treasury under the DSU Plan to 350,000, representing 1.24% of the outstanding Class B Subordinate Voting Shares of the Company as at April 15, 2016. These two amendments were approved by the TSX and ratified by shareholders at the annual meeting of the shareholders of the Company held on May 26, 2016.

The November 5, 2015 amendment with respect to the DSU Plan's amendment provisions sets out those circumstances in which the Board of Directors may, without the approval of the shareholders, make certain amendments to the DSU Plan, and those circumstances in which shareholder approval will be required for amendments to the DSU Plan, all as permitted by the policies of the TSX. The amendment provisions adopted by the Board of Directors were taken almost verbatim from the Company's 2009 Executive Deferred Share Unit Plan and are substantially similar to the amendment provisions of the Company's 2004 Stock Option Plan (the "**Stock Option Plan**").

Under the amendment provisions, as amended, the Board of Directors of the Company may make, without limitation, the following types of amendments to the DSU Plan without seeking approval from the shareholders of the Company: (i) amendments of a "housekeeping" or ministerial nature including, without limiting the generality of the foregoing, any amendment for the purpose of curing any ambiguity, error or omission in the DSU Plan or to correct or supplement any provision of the DSU Plan that is inconsistent with any other provision of the DSU Plan; (ii) amendments necessary to comply with the provisions of applicable law (including, without limitation, the rules, regulations and policies of the TSX); (iii) amendments necessary in order for DSUs to qualify for favourable treatment under applicable taxation laws; (iv) amendments respecting administration of the DSU Plan; (v) amendments to the definitions of "Applicable Withholding

Taxes”, “Award Date”, “Beneficiary”, “Election Notice”, “Dividend Equivalent”, “Eligible Director”, “Participant”, “Quarterly Remuneration” and “Termination Date”, all as set out in Article 1.2 of the DSU Plan; (vi) amendments to Schedule A and Schedule B of the DSU Plan; (vii) amendments to the redemption provisions of the Plan or relating to any DSU; (viii) amendments necessary to suspend or terminate the DSU Plan; and (ix) any other amendment, whether fundamental or otherwise, not requiring shareholder approval under applicable law.

Under the amendment provisions, as amended, shareholder approval will be required for the following types of amendments: (a) amendments to the maximum number of Class B Subordinate Voting Shares which may be issued from the Company’s treasury in aggregate to all participants pursuant to the DSU Plan, including an increase to a fixed maximum number of Class B Subordinate Voting Shares or a change from a fixed maximum number of Class B Subordinate Voting Shares to a fixed maximum percentage; (b) any amendment which increases the number of DSUs that may be issued, or the number of Class B Subordinate Voting Shares that may be issued or paid upon redemption of DSUs, to a participant in the DSU Plan; and (c) amendments required to be approved by shareholders under applicable law (including, without limitation, the rules, regulations and policies of the TSX).

In the event of any conflict between clauses (i) to (ix) and (a) to (c) above, the latter will prevail.

In the fiscal year ended December 30, 2017, one director elected to receive all of his directors’ fees in the form of DSUs, two directors elected to receive all of their directors’ fees in cash and two directors elected to receive a portion of their director’s fees in cash. The receipt of directors’ fees in the form of DSUs has the effect of deferring receipt of directors’ compensation until such time as the director’s term expires or the director resigns, intended to better align the interests of the directors with those of the shareholders of the Company.

There are a maximum of 350,000 Class B Subordinate Voting Shares issuable under the DSU Plan, representing 1.08% of the aggregate number of Class A Multiple Voting Shares and Class B Subordinate Voting Shares issued and outstanding on December 30, 2017, the end of the Company’s most recent fiscal year. As at December 30, 2017, there were 137,849 DSUs outstanding under the DSU Plan, representing 0.42% of the aggregate number of then-issued and outstanding Class A Multiple Voting Shares and Class B Subordinate Voting Shares, and 212,151 DSUs remained available for future grants under the DSU Plan, representing 0.65% of the aggregate number of then-issued and outstanding Class A Multiple Voting Shares and Class B Subordinate Voting Shares. The “annual burn rate” under the DSU Plan (as described below), calculated in accordance with section 613(p) of the TSX Company Manual, was 0.05% in the fiscal year ended December 30, 2015, 0.06% in the fiscal year ended December 30, 2016, and 0.04% in fiscal year ended December 30, 2017.

The following table sets out DSUs earned by the Company’s external directors and dividend equivalents paid in the form of DSUs during the fiscal year ended December 30, 2017:

Name	Number of DSUs	Dividend Equivalents	Total Number of DSUs Earned
Alain Benedetti	—	1,557	1,557
Dian Cohen	1,154	1,322	2,476
Michelle Cormier	2,701	212	2,913
Rupert Duchesne	4,305	1,295	5,600
Maurice Tousson	—	1,965	1,965
<b>Total</b>	<b>8,160</b>	<b>6,351</b>	<b>14,511</b>

### ***Incentive Plan Awards - Value Vested or Earned During the Year***

The following table sets out details regarding the value of the share-based awards earned by the Company's external directors as at December 30, 2017:

<b>Name</b>	<b>Share-based awards – value vested during the fiscal year ended December 30, 2017<sup>(1)</sup></b> <b>(\$)</b>	<b>Share-based awards – market or payout value of vested share-based awards as at December 30, 2017 not paid out or distributed<sup>(2)</sup></b> <b>(\$)</b>
Alain Benedetti	48,423	1,011,061
Dian Cohen	77,004	881,001
Michelle Cormier	90,594	191,327
Rupert Duchesne	174,160	928,522
Maurice Tousson	61,112	1,275,193

- (1) The share-based awards represent remuneration in the form of DSUs paid to the directors as directors' fees and fees for attending meetings of the Board of Directors or committees and as dividend equivalents. The DSUs vest at the date the remuneration and the date on which dividends are to be paid, respectively. The payment date is at the end of every quarter for fees and at the date on which the dividends are payable in the case of dividends. Consequently, the vested amounts of the share-based payments consist of the value of the fees and the dividends earned in the form of DSUs elected by the directors under the DSU Plan; the fees earned are set out in the table under the section "Fees Earned" above. This table represents the number of DSUs earned during the year multiplied by the closing price (\$31.10) of the Class B Subordinate Voting Shares on the TSX on December 29, 2017, the last day of the fiscal year. The amounts disclosed in this column have not been paid out or distributed.
- (2) The aggregate dollar value of the share-based awards is determined by multiplying the number of DSUs vested at fiscal year-end, including awards granted before the most recently-completed fiscal year, by the closing price (\$31.10) of the Class B Subordinate Voting Shares on the TSX on December 29, 2017, the last day of the fiscal year.

There are no option-based awards or other non-equity incentive plans offered as compensation to the independent directors of the Company.

## **EXECUTIVE COMPENSATION**

### **1. Compensation Discussion and Analysis**

#### ***Human Resources and Compensation Committee***

The HRCC is comprised of three independent directors, namely, Maurice Tousson (Chair), Alain Benedetti and Dian Cohen, each of whom is an "independent" director within the meaning of National Instrument 52-110 *Audit Committees*. The Board of Directors is of the view that the HRCC collectively has the knowledge, experience and background to fulfill its mandate, and that each of the members of the HRCC has direct experience relevant to his responsibilities regarding executive compensation. These collective skills and extensive experience enable the HRCC to make decisions on the suitability of the Company's compensation policies and practices.

The HRCC Charter sets out that the mandate of the HRCC is to assume the responsibility for developing the Company's approach to matters of human resources and compensation and to review and make recommendations to the Board of Directors as to all such matters. The responsibilities of the HRCC generally include, but are not limited to, the following:

- (a) monitoring and evaluating the performance of the President and Chief Executive Officer and other members of senior management of the Company;
- (b) annually reviewing and making recommendations to the Board with respect to the Company's compensation and benefit programs for the President and Chief Executive Officer and other senior management of the Company, including base salaries, bonuses or other performance incentives, stock options and/or restricted share rights;
- (c) reviewing and making recommendations to the Board with respect to the implementation or variation of stock option plans, restricted share rights plans, share purchase plans, compensation and incentive plans and retirement plans. Further, the HRCC will ensure proper administration of the Company's existing



- share incentive plans, including making recommendations with respect to the granting of options or restricted share rights;
- (d) reviewing periodically the President and Chief Executive Officer's proposals for changes in the Company's overall management organizational structure;
  - (e) making recommendations to the Board on appointments of Company officers (if any);
  - (f) making recommendations to the Board with respect to any severance or similar termination payments proposed to be made to senior management of the Company;
  - (g) retaining and replacing any independent firm to advise on executive compensation, including fixing such firm's fees and terms of retention;
  - (h) providing an annual report on executive compensation to the shareholders of the Company in the management proxy circular prepared for the annual meeting of shareholders; and
  - (i) carrying out any other duties or responsibilities expressly delegated to the HRCC by the Board.

In the assessment of the annual compensation of the President and Chief Executive Officer, the three Executive Vice-Presidents (including the Chief Financial Officer and Secretary of the Company) and the Senior Vice-President, Finance of the Company (collectively, the "**Named Executive Officers**" or "**NEOs**"), the HRCC consults with senior management to develop, recommend and implement compensation philosophy and policy. The HRCC also takes into consideration the competitiveness of the compensation package offered to the NEOs. Compensation decisions are usually made in the first half of each fiscal year, in respect of performance achieved in the prior fiscal year.

#### ***Comparative Group and External Compensation Consultant***

To ensure the competitiveness and the appropriateness of the compensation offered to the NEOs and other senior executives of the Company, the HRCC retains, from time to time, the services of executive compensation consultants to provide advice on executive compensation. These services may include, but are not limited to, advice on base salary, annual incentives (bonus) and long-term incentive programs. In connection with these services, the executive compensation consultants may provide suggestions on choosing the companies forming part of the comparative groups, may make observations on the level of compensation compared to market and may make recommendations with regards to amendments where appropriate.

In 2016 and 2017, the HRCC retained Meridian Compensation Partners, LLC ("**Meridian**") to assist the Company in matters related to executive compensation such as peer group analysis, benchmarking and review of existing compensation programs and review of compensation trends and practices. In 2014 and 2015, the HRCC retained the services of Mercer (Canada) Limited ("**Mercer**"), an external compensation consultant, to provide short-term and long-term compensation advice for various positions in the Company for which new compensation plans were implemented in 2014.

The HRCC considers the executive compensation advice provided by Meridian and Mercer to be independent as the executive compensation consultants reports are sent directly to the HRCC without management intervention. In addition, the HRCC has adopted protocols governing if and when the consultants' advice and recommendations can be shared with management. Furthermore, the HRCC evaluates the quality and objectivity of the services provided each year and determines whether to continue to retain the consultants.

For 2016, Meridian reviewed the Company's peer group used for benchmarking the compensation of the President and Chief Executive Officer, the three Executive Vice-Presidents and the Senior Vice-President, Finance. As part of the review process, the HRCC conducted an analysis to examine and compare the Company's compensation programs with a group of comparable companies to ensure the competitiveness and reasonableness of the compensation offered. The HRCC used this information to position the Company's compensation programs relative to the market. Although the HRCC may rely on the information and advice obtained from consultants, all of the decisions with respect to executive compensation are made by the HRCC and may reflect factors and considerations that differ from the information and recommendations provided by the consultants, such as merit and the need to retain high-performing executives. Other factors used in determining the compensation of the executives are their experience, their performance for the applicable period and their potential performance for future periods. When performing compensation reviews, the HRCC does not specifically identify a median

or percentile for total compensation of the President and Chief Executive Officer, the three Executive Vice-Presidents or the Senior Vice-President, Finance.

As part of the benchmarking analysis, the group of comparable companies was reviewed by the HRCC and approved by the Board of Directors. When selecting the group, a mix of Canadian and U.S. companies was chosen, given that a large portion of the Company's revenues are generated, and an important portion of the Company's assets are located, in the United States. In addition, consideration was given to the size of the Company, location of the Company's main operations (the United States and Canada), the international focus of the Company, and companies operating in the same or similar industry as the Company (manufacturing and/or distribution of consumer products). The majority of the comparable companies were required to have revenue and assets that were between 0.3 times and 3.0 times those of the Company and to have market capitalization that was between 0.3 times and 5.0 times that of the Company. Assets and market capitalization were used as secondary measures in the establishment of the comparative group.

The comparative group used in the compensation benchmarking exercise of the President and Chief Executive Officer, the three Executive Vice-Presidents and the Senior Vice-President, Finance for the fiscal year ended December 30, 2017 included the following companies:

<b>Comparative Group</b>		
Gildan Activewear Inc.	BRP Inc.	Lions Gate Entertainment Corp.
Quebecor Inc.	MDC Partners Inc.	Hasbro, Inc.
Tempur Sealy International, Inc.	Carter's, Inc.	Vista Outdoor Inc.
LCI Industries (formerly Drew Industries Incorporated)	Modine Manufacturing Company	Cott Corporation
La-Z-Boy Inc.	Linamar Corporation	Martinrea International Inc.
Revlon, Inc.	Uni-Sélect Inc.	

### **President and Chief Executive Officer and Three Executive Vice-Presidents**

The compensation of the President and Chief Executive Officer and each of the three Executive Vice-Presidents is determined in accordance with Company's objectives and policies and is developed, reviewed and recommended to the Board of Directors for approval annually by the HRCC. The Company relies on Board of Directors' decisions based upon the recommendations from the HRCC to determine the compensation package offered to these executives. See "Elements of Compensation" below for an explanation as to how base salary, annual incentives and long-term incentive levels are determined. It is important to note that the Company operates on a team structure, such that the four individuals are considered an executive group. It was agreed that any element of compensation be the same for each of the four individuals irrespective of their position. Meridian took this into consideration in the benchmarking analysis it performed, which focused on the aggregate compensation of the top four executives of the Company and its peers.

### **Senior Vice-President, Finance**

The President and Chief Executive Officer of the Company and the three Executive Vice-Presidents are involved in determining the compensation offered to the Senior Vice-President, Finance of the Company because of their day-to-day involvement with him. The HRCC believes that the foregoing executives are in the best position to assess this individual's performance and to provide valuable input to the HRCC. They work jointly with the HRCC in recommending any salary adjustments, levels of payments of annual incentives as well as levels of option grants, as applicable. The HRCC will ultimately review and recommend to the Board of Directors the compensation recommended.

### ***Compensation Objectives and Policies***

The objective of the executive compensation program is to attract, motivate and retain high-performing senior executives, align the immediate and long-term interests of the executive team with the annual and long-term interests of shareholders, and engage the leadership team by defining and rewarding performance for achieving a balance of Company-wide and business unit goals. The program is designed to reward and encourage individual and collective performance and motivate senior executives to achieve and surpass shorter and longer-term performance objectives set at the beginning of the year.

## *Elements of Compensation*

The Company's total compensation program is comprised of a fixed and variable component with a particular emphasis on the use of at-risk pay in order to ensure the alignment of the interests of the senior executives with those of the shareholders. The total compensation program consists of four main components: (i) base salary determined in comparison with competitive benchmark positions; (ii) annual incentives linked to the financial performance of the Company and to objectives tied to the execution of certain strategic initiatives; (iii) long-term incentives including stock options, performance share units ("PSUs"), share appreciation rights ("SARs") and restricted share units ("RSUs"); and (iv) other perquisites.

In addition, when the HRCC oversees the executive compensation program, risks associated with the Company's compensation objectives and policies are considered.

The table below sets out the key elements of compensation and their respective form and performance period:

Elements	Components	Form	Performance Period
Base Salary	Fixed	Cash or DSUs	One year
Annual Incentives	Variable	Cash or DSUs	One year
Long-Term Incentive	Variable	Stock options	Five years
Long-Term Incentive	Variable	PSUs (cash-settled)	Three years
Long-Term Incentive	Variable	SARs (cash-settled)	Four years
Long-Term Incentive	Variable	RSUs (cash-settled)	Three years

An important objective of the executive compensation program is to take into account the advantages and risks associated with different compensation components. The HRCC has assessed the Company's compensation plans and programs for its executive officers to ensure alignment with the Company's business plan and to evaluate the potential risks associated with those plans and programs. The HRCC has concluded that the compensation policies and practices do not create any risks that are reasonably likely to have a material adverse effect on the Company. The HRCC considers the risks associated with executive compensation and corporate incentive plans when designing and reviewing such plans and programs.

The following table summarizes the applicable compensation components or policies and the relevant risk mitigation factors:

Compensation Component or Policy	Risk Mitigation Factor
Base Salary	<ul style="list-style-type: none"> <li>Base salaries are a fixed amount so as to provide steady income regardless of share price and therefore do not encourage unnecessary or excessive risks.</li> </ul>
Annual Incentives	<ul style="list-style-type: none"> <li>The ability for short-term decisions to drive excessive compensation is limited because: <ul style="list-style-type: none"> <li>the maximum amount that a senior executive can receive is capped at two times the target payout;</li> <li>a portion of the bonus is linked to the financial performance of the Company and is limited to predetermined percentages of cash conversion cycle ("CCC") metric and earnings before interest and taxes ("EBIT");</li> <li>another portion of the payout is based on a variety of objectives, including those tied to the execution of certain strategic initiatives, which cannot be disclosed in this Circular as they are confidential to the Company, thus diversifying the risk associated with any single objective; and</li> </ul> </li> <li>Consistent objectives for all management employees at all levels within each operating group, which creates alignment and encourages decision-making that is in the best interest of the Company as a whole.</li> </ul>

Compensation Component or Policy	Risk Mitigation Factor
Long-Term Incentives: Stock Option Plan <sup>(1)</sup>	<ul style="list-style-type: none"> <li>• Options vest over a four-year period starting on the first anniversary of the grant date, which aligns long-term performance with shareholders' interests; and</li> <li>• Stock options represent an incentive to enhance shareholder value by providing the executives with compensation which is realized only if the Company's share price increases over time.</li> </ul>
Long-Term Incentives: PSUs – cash-settled	<ul style="list-style-type: none"> <li>• PSUs vest over a three-year period starting on the grant date, which aligns long-term performance with shareholders' interests;</li> <li>• Performance objectives, based on the Company's target return on capital ("ROC") and EBIT as per strategic plans, are determined at the grant date by the HRCC and if: <ul style="list-style-type: none"> <li>— the result is less than the threshold, the vesting percentage (multiplier) is nil; and</li> <li>— the target is exceeded, the vesting percentage is capped at 150%.</li> </ul> </li> <li>• PSUs are also based on a three-year share price performance; the ultimate value of the award is tied to the Company's share price, which encourages behavior focused on long-term goals, while discouraging behavior focused on short-term risks; and</li> <li>• Annual grants with overlapping performance periods ensure that results in a single year impact currently-maturing grants as well as outstanding grants maturing in subsequent years, further encouraging continuous long-term performance improvement.</li> </ul>
Long-Term Incentives: SARs – cash-settled	<ul style="list-style-type: none"> <li>• SARs vest in whole after a four-year period, which aligns long-term performance with shareholders' interests; and</li> <li>• SARs represent an incentive to achieve long-term growth of the Company and enhance shareholder value by providing the executives with compensation which is realized only if the Company's share price increases over time.</li> </ul>
Long-Term Incentives: RSUs – cash-settled	<ul style="list-style-type: none"> <li>• RSUs vest in whole after a three-year period starting on the grant date, which aligns long-term performance with shareholders' interests; and</li> <li>• RSUs represent an incentive to achieve long-term growth of the Company and a key component in the retention of executives. The ultimate value of the award is tied to the Company's share price, which encourages behavior focused on long-term goals, while discouraging behavior focused on short-term risks.</li> </ul>
Executive Share Ownership Requirement <sup>(1)</sup>	<ul style="list-style-type: none"> <li>• Since 2010, the senior executives of the Company are required to accumulate a certain level of share ownership in the Company; and</li> <li>• The share ownership requirement ensures that the interests of senior executives are aligned with the long-term interests of shareholders.</li> </ul>
Pay Mix	<ul style="list-style-type: none"> <li>• The Company offers various incentive plans which have variable compensation elements (short-term versus long-term) allowing risks to be spread over a broader time horizon; and</li> <li>• The variable compensation elements represent a percentage of overall compensation that is sufficient to motivate senior executives to produce superior short-term and long-term results while the fixed compensation element (base salary) is sufficient to discourage senior executives from taking unnecessary or excessive risks.</li> </ul>

Compensation Component or Policy	Risk Mitigation Factor
Discretion of the HRCC	<ul style="list-style-type: none"> <li>The HRCC retains the authority to recommend to the Board of Directors whether to reduce or increase incentive payouts, in its discretion, taking into consideration qualitative factors beyond the quantitative financial metrics.</li> </ul>

(1) The Insider Trading and Blackout Periods Policy adopted by the Company prohibits senior executives, directors and all other insiders of the Company from purchasing financial instruments that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by its senior executives, directors and all other insiders.

### Base Salary

Base salary provides an immediate cash incentive for the NEOs and is established through the recommendations of the HRCC and discussions with the Board of Directors with regard to the President and Chief Executive Officer and each of the three Executive Vice-Presidents. For the fiscal year ended December 30, 2017, the HRCC conducted a review of the compensation of the President and Chief Executive Officer and each of the three Executive Vice-Presidents and it was decided to increase their respective base salaries to \$999,357. The compensation of the President and Chief Executive Officer and each of the three Executive Vice-Presidents was set by reference to the results of the benchmarking analysis, although the HRCC did not aim at any particular positioning against this data.

The base salary of the Senior Vice-President, Finance is established based on a comparison with competitive benchmarking positions. The HRCC uses the information obtained in the benchmarking analysis, but also assesses other factors in determining the base salary. Other factors that the HRCC will consider include: the level of responsibilities and accountability, unique talents, capabilities and sustained performance, and the financial resources of the Company. Based upon the foregoing, the base salary of the Senior Vice-President, Finance for 2017 was increased to \$521,101.

### Annual Incentives

The objective of the annual incentive program is to motivate employees to achieve and surpass corporate financial goals which are set at the beginning of the year by senior management and approved by the HRCC. The HRCC also considers non-financial goals based on the executive's achievements when determining the payout of the annual incentive.

Annual incentives are reviewed annually and designed around the fiscal year's business strategies and performance targets. They combine metrics that reflect a blend of financial and operational Company-wide and business unit goals. In 2017, the HRCC continued with the review of all of the Company's short-term and long-term programs and made certain changes to the incentive programs. With the exception of the Senior Vice-President, Finance, the Board approved a short-term incentive plan for the NEOs to be measured exclusively based on executing and realizing strategic initiatives that will contribute to the success of the Company and hence, no longer measured based on known and measured performance metrics. These strategic initiatives cannot be disclosed in this Circular as they are confidential to the Company. However, for the Senior Vice-President, Finance, the Board approved a short-term incentive plan based on 50% on EBIT, 25% on CCC metric and 25% on strategic initiatives. These measures are intended to ensure that management's incentive-based compensation reflects the success in achieving and surpassing targets for profitability and how effectively net assets are utilized to generate revenue. These combined objectives represent the total performance factor which is applied to the targeted annual bonus percentage set yearly to compute the annual incentive.

The Company has defined the CCC metric as the length of time, in days, that it takes the Company to sell its inventory, collect its receivable and pay its suppliers. The metric indicates how efficiently the Company is managing its working capital and generating cash flows. The metric is calculated as follows:

CCC metric is equal to the average of the monthly CCC metric for the fiscal year calculated as follows: Days Inventory Outstanding ("DIOs") plus Days Sales Outstanding ("DSOs") less Days Payables Outstanding ("DPOs").

DIO refers to the number of days it takes to sell an entire inventory. DSO refers to the number of days needed to collect accounts receivable. DPO refers to the Company's payment of its accounts payable.

Incentive bonuses vary in proportion to base salary, depending on whether or not the specified EBIT, CCC targets and/or objectives tied to the execution of certain strategic initiatives have been attained. When the performance targets are

exceeded, bonuses are higher; when objectives are not attained, the incentive bonuses are lower or nil, depending on the circumstances. At the end of the year, the Company compares actual results against each performance goal and computes the incentive compensation earned. The HRCC may also make a qualitative discretionary bonus award in recognition of an individual's special achievements or contributions to the Company in a particular financial year.

The actual bonus payout for the Senior Vice-President, Finance can range from zero to 150% of his base salary. The following tables illustrate the annual bonus payable at certain levels of performance versus target for fiscal 2017, expressed as a percentage of base salary:

Percentage of EBIT	Senior Vice-President, Finance
Less than 75%	Nil
75%	18.75%
100%	37.50%
125% and more	75%

CCC Target Achieved	Senior Vice-President, Finance
107 days and more	Nil
104 days	7.5%
99 days – 101 days	18.75%
89 days and less	37.5%

In the determination of the Senior Vice-President, Finance's 2017 annual incentive, the Company took into consideration the impact of the impairment losses on goodwill and intangible assets, restructuring and other costs and other non-recurring costs in the calculation of the Company's EBIT in relation to this performance target. Although this calculation resulted in surpassing the EBIT performance target, the Senior Vice-President, Finance's 2017 annual incentive was limited to a payout based on approximately 90% of achievement. In addition, the Company achieved its CCC performance metric at 105 days and the strategic initiatives were met. See "Summary Compensation Table" for the breakdown of the bonus paid to each of the NEOs.

### Long-Term Incentives

The objectives of the long-term incentive plan are to align the executive's interests with those of the shareholders of the Company by providing a form of compensation tied to increases in market value, to attract and retain talented individuals and recognize and reward the impact of longer-term growth strategies taken by management. In order to meet these long-term objectives, the Company uses the Stock Option Plan and implemented in 2014 long-term incentive plans comprised of a Performance Share Unit Plan (the "**PSU Plan**") and a Share Appreciation Rights Plan (the "**SAR Plan**") to reward its executives and certain employees.

On June 5, 2017, the Board approved the adoption by the Company of a Restricted Share Unit Plan (the "**RSU Plan**"). The RSU Plan is designed to ensure that the interests of key employees, who share primary responsibility for the management, growth and protection of the business, are aligned with the success of the Company, to furnish an incentive for the key employees to continue their services with the Company and to attract employment with the Company.

In accordance with the requirements of section 613 of the TSX Company Manual, companies listed on the TSX are now required to disclose an "annual burn rate" ("**ABR**") for each of their security-based compensation arrangements as of the end of the financial year. ABR refers to the number of shares that are subject to awards that are granted over the year, expressed as a percentage of the total weighted average number of issued and outstanding shares for the applicable fiscal year. The weighted average number of common shares of the Company issued and outstanding in each of the last three fiscal years is as follows:

- Year ended December 30, 2017 - 32,409,551 shares;
- Year ended December 30, 2016 - 32,352,953 shares; and
- Year ended December 30, 2015 - 32,324,569 shares

ABR for each of the Stock Option Plan, DSU Plan and Executive Deferred Share Unit Plan (“**EDSU Plan**”) is set out in the respective sections above and below.

## **1. 2004 Stock Option Plan**

### *Option Grant Process*

Option grants are a component of the Company’s executive compensation package and serve to align executive interests with those of shareholders, as grant recipients benefit only if shareholder value increases. Grant levels are reviewed and are approved by the Board of Directors based on recommendations of the HRCC. Except as regards certain specified holding restrictions set out in the Stock Option Plan, the number of outstanding options held by an employee is not taken into account when determining if and how many new options are to be awarded in the particular year. In assessing the level of option grants for executives, the HRCC will also take into account special achievements and/or the need for retention or motivation.

### *2004 Stock Option Plan*

In April 2004, the Board of Directors of the Company established the Stock Option Plan, which was ratified by shareholders at the Company’s annual and special general meeting held on May 28, 2004. Initially, a maximum of 3,000,000 Class B Subordinate Voting Shares were reserved for issuance under the Stock Option Plan. On March 11, 2009, the Board of Directors adopted a resolution increasing the number of Class B Subordinate Voting Shares reserved for issuance under the Stock Option Plan to 6,000,000, representing 18.0% of the aggregate number of issued and outstanding Class A Multiple Voting Shares and Class B Subordinate Voting Shares as at December 30, 2008. This amendment to the Stock Option Plan was ratified by shareholders at the Company’s annual and special general meeting held on May 27, 2009.

The objective of the Stock Option Plan is to provide directors, officers and employees of the Company and its subsidiaries with a proprietary interest through the granting of options to purchase Class B Subordinate Voting Shares of the Company. The Stock Option Plan is also intended to increase the interest in the Company’s welfare of those directors, officers and employees who share primary responsibility for the management, growth and protection of the business of the Company, to furnish an incentive to such directors, officers and employees to continue their services for the Company and to provide a means through which the Company may attract able persons to enter its employment.

There are a maximum of 6,000,000 Class B Subordinate Voting Shares issuable under the Stock Option Plan, representing 18.5% of the aggregate number of Class A Multiple Voting Shares and Class B Subordinate Voting Shares issued and outstanding on December 30, 2017, the end of the Company’s most recent fiscal year. As at December 30, 2017, there were options outstanding to purchase an aggregate of 35,000 Class B Subordinate Voting Shares, representing 0.1% of the aggregate number of then-issued and outstanding Class A Multiple Voting Shares and Class B Subordinate Voting Shares, and 4,622,750 Class B Subordinate Voting Shares remained available for future grants of stock options, representing 14.3% of the aggregate number of then-issued and outstanding Class A Multiple Voting Shares and Class B Subordinate Voting Shares. ABR for the Stock Option Plan, calculated in accordance with section 613(p) of the TSX Company Manual, was nil in each of the fiscal years ended December 30, 2015, 2016 and 2017.

The Stock Option Plan contains restrictions on the number of Class B Subordinate Voting Shares which may be issued to the Company’s “insiders”, that is, its directors and officers and those of its subsidiaries. Under the Stock Option Plan, no option may be granted if such grant could result, at any time, when taken together with all of the Company’s other share compensation arrangements in:

- (a) the number of Class B Subordinate Voting Shares reserved for issuance pursuant to stock options granted to “insiders” exceeding 10% of the aggregate number of issued and outstanding Class A Multiple Voting Shares and Class B Subordinate Voting Shares;
- (b) the issuance to “insiders” within a one-year period of a number of Class B Subordinate Voting Shares exceeding 10% of the aggregate number of issued and outstanding Class A Multiple Voting Shares and Class B Subordinate Voting Shares; or

- (c) the issuance to any one “insider” and such insider’s associates, within a one-year period, of a number of Class B Subordinate Voting Shares exceeding 5% of the aggregate number of issued and outstanding Class A Multiple Voting Shares and Class B Subordinate Voting Shares.

No options were granted to the Named Executives Officers in fiscal 2017. Options that are currently granted are not exercisable during the first year following the date of grant and the holders may exercise only 25% of the total number of options held commencing each successive year. All of the granted options are valid for a five-year period from the effective date of the grant.

The following is a description of certain features of the Stock Option Plan, as required by the TSX:

- (a) the option price per share is set by the Board of Directors at the time of the granting of each option, but cannot be less than the closing price of the Class B Subordinate Voting Shares on the TSX on the trading day immediately preceding the date of the grant;
- (b) the maximum period during which an option is exercisable cannot, subject to the provisions of the Stock Option Plan, exceed ten years from the date the option is granted, after which the option will lapse. Unless otherwise determined by the Board of Directors, no option may be exercised during the first year following the grant thereof. An option may be exercised in whole or in part in respect of 25% of the Class B Subordinate Voting Shares subject to the option during each of the second, third, fourth and fifth years following the grant thereof;
- (c) if an option is to expire during a period when the optionee is prohibited by the Company from trading in its shares pursuant to its policies (a “**Blackout Period**”), or within ten business days of expiry of such Blackout Period, the term of such option will automatically be extended for a period of ten business days immediately following the end of the Blackout Period (“**Blackout Extension Period**”);
- (d) options granted under the Stock Option Plan may not be assigned, except by will or by the laws of succession of the domicile of a deceased option holder;
- (e) the aggregate number of Class B Subordinate Voting Shares reserved for issuance to any one option holder, whether under the Stock Option Plan or any other share option plan, option for services or share purchase plan of the Company (if any), cannot exceed 5% of the aggregate number of issued and outstanding Class A Multiple Voting Shares and Class B Subordinate Voting Shares;
- (f) upon an option holder’s employment with the Company being terminated for cause, any option not exercised prior to the date of termination immediately lapses and becomes null and void;
- (g) if an option holder dies while employed by the Company or while a director thereof, or if an option holder’s employment, office or directorship with the Company terminates otherwise than by reason of death or termination for cause, any option or unexercised part thereof held by the option holder may be exercised by the person to whom the option is transferred by will or the laws of succession, or by the option holder, as the case may be, for that number of shares only which the option holder was entitled to acquire under the option at the time of his death, termination or end of employment, office or directorship, as the case may be, within 30 days after such date or prior to the expiration of the term of the option, whichever occurs earlier;
- (h) the Stock Option Plan does not provide for financial assistance from the Company to option holders;
- (i) subject to the exceptions set out in paragraph (j) below, the Board of Directors may amend, suspend or terminate the Stock Option Plan, or any portion thereof, at any time, and may do so without shareholder approval, subject to those provisions of applicable law, if any, that require the approval of shareholders or any governmental or regulatory body. Without limiting the generality of the foregoing, the Board of Directors may make the following types of amendments to the Stock Option Plan without seeking shareholder approval:
  - i. amendments of a “housekeeping” or ministerial nature including, without limiting the generality of the foregoing, any amendment for the purpose of curing any ambiguity, error or omission in the



Stock Option Plan or to correct or supplement any provision of the Stock Option Plan that is inconsistent with any other provision of the Stock Option Plan;

- ii. amendments necessary to comply with the provisions of applicable law (including, without limitation, the rules, regulations and policies of the TSX);
- iii. amendments necessary in order for options to qualify for favourable treatment under applicable taxation laws;
- iv. amendments respecting administration of the Stock Option Plan;
- v. any amendment to the vesting provisions of the Stock Option Plan or any option;
- vi. any amendment which reduces the exercise price or purchase price of an option held by an optionee who is not an “insider” of the Company;
- vii. any amendment to the early termination provisions of the Stock Option Plan or any option, whether or not such option is held by an “insider”, provided such amendment does not entail an extension beyond the original expiry date;
- viii. any amendment to the termination provisions of the Stock Option Plan or any option, other than an option held by an “insider” in the case of an amendment extending the term of an option, provided any such amendment does not entail an extension of the expiry date of such option beyond its original expiry date;
- ix. the addition of any form of financial assistance by the Company for the acquisition by all or certain categories of eligible participants of shares under the Stock Option Plan, and the subsequent amendment of any such provisions;
- x. the addition or modification of a cashless exercise feature, payable in cash or shares;
- xi. amendments necessary to suspend or terminate the Stock Option Plan; and
- xii. any other amendment, whether fundamental or otherwise, not requiring shareholder approval under applicable law (including, without limitation, the rules, regulations and policies of the TSX);

(j) shareholder approval will be required for the following types of amendments:

- i. amendments to the number of Class B Subordinate Voting Shares issuable under the Stock Option Plan, including an increase to a fixed maximum number of shares or a change from a fixed maximum number of shares to a fixed maximum percentage;
- ii. any amendment to the Stock Option Plan that increases the length of the Blackout Extension Period;
- iii. any amendment which reduces the exercise price or purchase price of an option held by an “insider” of the Company;
- iv. any amendment extending the term of an option held by an “insider” beyond its original expiry date except as otherwise permitted by the Stock Option Plan; and
- v. amendments required to be approved by shareholders under applicable law (including, without limitation, the rules, regulations and policies of the TSX);

(k) in the event of any conflict between item (i) and (j) above, the latter shall prevail; and

- (l) notwithstanding anything contained to the contrary in the Stock Option Plan or in any resolution of the Board of Directors in the implementation thereof:
  - i. in the event the Company proposes to amalgamate, merge or consolidate with or into any other company (other than with a wholly-owned subsidiary of the Company) or to liquidate, dissolve or wind-up, or in the event an offer to purchase the Class B Subordinate Voting Shares of the Company or any part thereof is made to all holders of Class B Subordinate Voting Shares of the Company (other than the offeror or offerors), the Company will have the right: (A) upon written notice thereof to each optionee holding options under the Stock Option Plan who has been an employee or director of the Company for at least three years as at the date of such notice (collectively, the “**Old Optionees**”), to determine, in the Company’s sole discretion, that all options held by Old Optionees may be exercised within the 20-day period next following the date of such notice, and that upon the expiry of such 20-day period, all rights of Old Optionees to options under the Stock Option Plan or to exercise same (to the extent not theretofore exercised) will terminate and that all such options will cease to have further force or effect whatsoever; and (B) upon written notice thereof to each optionee holding options under the Stock Option Plan who has not been an employee or director of the Company for at least three years as at the date of such notice (collectively, the “**New Optionees**”), to determine, in the Company’s sole discretion, that upon the expiry of such 20-day period, all rights of New Optionees to options under the Stock Option Plan or to exercise same (to the extent not theretofore exercised) will terminate and that such all such options, whether then vested or unvested, will cease to have further force or effect whatsoever;
  - ii. the Board of Directors may, by resolution, advance the date on which any option may be exercised in a manner to be set forth in such resolution. The Board of Directors will not, in the event of any such advancement, be under any obligation to advance the date on or by which any option may be exercised by any other optionee; and
  - iii. the Board of Directors may, by resolution, but subject to applicable regulatory requirements, decide that any of the provisions of the Stock Option Plan concerning the effect of termination for cause of the optionee’s employment will not apply for any reason acceptable to the Board of Directors.

## **2. Performance Share Unit Plan, Share Appreciation Rights Plan and Restricted Share Units Plan**

### *Overview of the PSU Plan, SAR Plan and RSU Plan*

The long-term incentive plan (“**LTIP**”) implemented in 2014 comprising of the PSU Plan and SAR Plan was reviewed in 2016 and the HRCC determined that certain changes were required to the LTIP program. Upon the recommendation of the HRCC, on June 5, 2017, the Board adopted the RSU Plan so that the LTIP is now comprised of the PSU Plan and RSU Plan.

The LTIP represents a key component of the Company’s compensation for senior executives and certain key employees. The LTIP is designed to:

- align pay with performance;
- clearly define what performance and accountability mean for the Company; and
- link the efforts of the Company’s leadership with the achievement of the Company’s and the segments’ strategic business objectives.

The LTIP provides the Company’s leadership with the opportunity to share in the Company’s long-term success and establishes a foundation for the Company to source and retain top talent to support the Company’s continued growth and profitability.

Senior executives and key employees are assigned a long-term incentive (“**LTI**”) target, expressed as a percentage of their respective base salary. Prior to 2017, LTI value was granted through two types of awards, namely, PSUs and SARs. Effective June 5, 2017, LTI value is now granted through PSU and RSU awards.

The LTI target and the weight of each award are determined based on the employee's responsibilities.

*Performance Share Units (PSUs)*

PSUs are notional shares that mirror the market value of the Company's Class B Subordinate Voting Shares. PSUs are granted at no purchase cost and provide immediate value upon vesting. The value of PSUs fluctuates with any change in the market price of the Class B Subordinate Voting Shares over the course of the vesting period. The payout ultimately received in cash from a PSU grant is tied to the market price of the Class B Subordinate Voting Shares, the amount of dividends paid on the shares, and a performance multiplier.

The percentage of PSUs that vest at the end of the vesting period is subject to the Company's or segment's performance compared to financial criteria. The table below sets out the key financial criteria that act as performance multipliers. The criteria applicable to each senior executive or key employee as well as their weighting vary depending on the employee's position and responsibilities.

<b>Financial Criteria</b>	<b>Scope</b>
ROC (return on capital)	Company level
	Segment level
EBIT (earnings before interest and taxes)	Company level
Earnings from Operations	Segment level

The Company has defined ROC as earnings before interest and taxes, excluding restructuring charges and non-recurring costs adjustments, divided by total assets less non-interest bearing liabilities, accumulated other comprehensive income and other equity. EBIT has been defined as earnings before interest and taxes, excluding restructuring charges and non-recurring costs adjustments. Earnings from Operations excludes restructuring charges and non-recurring costs adjustments. These financial criteria are based on attaining specific ROC, EBIT and Earning from Operations targets, based on the fiscal year's business strategies.

Prior to 2017, the following table sets out the respective weights given to each key financial criterion for all NEOs:

<b>Function</b>	<b>EBIT (%)</b>	<b>ROC (%)</b>
Named Executive Officers	75%	25%

Starting in 2017, the following table sets out the new respective weights given to each key financial criterion for all NEOs:

<b>Function</b>	<b>EBIT (%)</b>	<b>ROC (%)</b>
Named Executive Officers	60%	40%

The level of achievement of the target remains unchanged and can range from 0% to 125% and the performance multiplier can range from 0% to 150%.

Payout	% of financial objective achievement <sup>(1)</sup>	PSU performance multiplier <sup>(2)</sup>
Maximum	125% of objective	150%
Target	100% of objective	100%
Threshold	80% of objective	50%
Below Threshold	< 80% of objective	0%

(1) Performance levels can range from 0% to 125% of the target objective. For illustrative purposes only, <80%/80%/100%/125% have been used to demonstrate performance.

(2) The PSU performance multiplier between the performance levels set out in the table is calculated on a straight-line basis.

#### *Share Appreciation Rights (SARs)*

SARs are similar to stock options. SARs provide an opportunity to receive the difference between the market price of the Class B Subordinate Voting Shares at the time of settlement and the exercise price set at the date of grant. SARs payouts will be in cash and will not be subject to the Company's performance on specific measures as payouts are strictly based on share appreciation from grant price. SARs are used to reward shareholder-value creation.

#### *Restricted Share Units (RSUs)*

RSUs are notional shares that mirror the market value of the Company's Class B Subordinate Voting Shares. RSUs are granted at no purchase cost and provide immediate value upon vesting. The value of RSUs fluctuates with any change in the market price of the Class B Subordinate Voting Shares over the course of the vesting period. The payout ultimately received in cash from a RSU grant is tied to the market price of the Class B Subordinate Voting Shares and the amount of dividends paid on the shares. The payout will not be subject to the Company's performance on specific measures as payouts are strictly based on market price.

#### *Long Term Incentive Plan (LTIP) Vesting Schedule*

Awards made under the LTIP are made annually. PSUs vest after a three-year performance cycle contingent on the level of achievement of financial objectives. SARs vest in whole after four years. RSUs vest in whole after three years. In order to provide a payout opportunity as early as 2015, the first year after implementation, the vesting of the first grant only (June 25, 2014) is progressive. For grants made after 2014, the vesting is illustrated in the below table.

The following is an illustration of the timing of grants and payouts based on the PSUs and SARs 2014 vesting schedule (progressive vesting):

		<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	
<b>PSUs</b>	<b>2014 Grant</b>	<b>20%</b>	<b>30%</b>	<b>50%</b>	<i>Each year, the % of PSUs that vest is contingent on annual performance</i>	
<b>SARs</b>	<b>2014 Grant</b>	<b>10%</b>	<b>20%</b>	<b>30%</b>	<b>40%</b>	<i>Each year, a portion of SARs vest</i>

The following is an illustration of the timing of grants and payouts based on the PSU and SAR vesting schedule for grants made after 2014 (cliff vesting):

		<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>PSUs</b>	<b>2015 Grant</b>	<b>Three-year performance period</b>			<i>Vesting is contingent on three-year cliff performance</i>
<b>SARs</b>	<b>2015 Grant</b>	<b>Time-vested</b>			<i>100% vest</i>

The following are descriptions of certain features of the three plans comprising the LTIP.

#### *PSU Plan*

In 2014, the Board of Directors adopted the PSU Plan for the Company’s senior executives and certain key employees and those of its subsidiaries; the PSU Plan entitles them to a cash payment. The purpose of the PSU Plan is to provide these employees with an interest in the performance of the Company through the granting of PSUs. The PSU Plan is also intended to increase the interest in the Company’s welfare of those employees who share primary responsibility for the management, growth and protection of the business of the Company, to furnish an incentive to such employees to continue their services for the Company and to provide a means through which the Company may attract able persons to enter its employment.

Under the PSU Plan, the Board of Directors, in its sole discretion, may, at the time it approves the audited annual consolidated financial statements of the Company, approve the grant of PSUs to one or more employees, the number of PSUs to be granted and the terms and conditions of such PSUs.

PSUs are credited to an account maintained for the PSU participant by the Company. A PSU Plan participant may also receive dividend equivalents paid in the form of PSUs.

The PSUs vest based on non-market performance conditions. At the time of granting PSUs, the Board of Directors may, in its sole discretion, upon the recommendation of the HRCC, establish vesting conditions in respect of any PSUs, which vesting conditions may be based on corporate, financial and/or business objectives of the Company. The level of attainment of the performance objective(s), the number of PSUs earned and eligible to vest and the number of Class B Subordinate Voting Shares underlying such PSUs is determined by the Board of Directors on the date on which it approves the Company’s consolidated financial statements for the financial year in respect of which the performance objective(s) have been set (or the last financial year in respect of which the performance objective(s) have been set in the case of objective(s) covering more than one financial year). Upon such determination by the Board of Directors, the Company delivers to the participant a letter (“**PSU Grant Letter**”) confirming the number of PSUs granted to the participant and the number of Class B Subordinate Voting Shares underlying such PSUs. Any PSUs not earned in accordance with the terms and conditions of such PSUs will expire and the participant will not have any rights or entitlements whatsoever in respect of any such PSUs.

At the end of the third fiscal year of the Company following the fiscal year during which a PSU participant provided services to the Company in respect of which PSUs were granted to the PSU participant, known as a “Performance Cycle”, provided that termination of employment of such PSU participant has not occurred prior to the Settlement Period (as defined below), other than by reason of death or long-term disability, as defined in the PSU Plan, a PSU participant (or, if deceased, the participant’s estate, succession, heirs or legal representatives) will receive an amount in cash equal to the number of such vested PSUs multiplied by the fair market value of the Class B Subordinate Voting Shares calculated using their weighted average trading price on the TSX during the five trading days commencing two business days after the day on which the Company issues a press release announcing its financial results for its most recently-completed fiscal year. For the 2014 grant only, vesting is progressive such as to provide long-term incentive value until the plan is fully implemented. For the first grant of 2014, each year a portion of PSUs vest: 20% in 2015 based on 2014 performance measures, 30% in 2016 based on 2015 performance measures and 50% in 2017 based on 2016 performance measures. For the grants subsequent to 2014, the vesting of PSUs granted is contingent on a three-year cliff performance.

Once a PSU is earned and has vested in accordance with the PSU Grant Letter and the PSU Plan, it will be settled by the Company within one month of the day on which the Company first issues a press release announcing its financial results for its most recently-completed fiscal year (the “**Settlement Period**”), but in all cases not later than the business day preceding December 31 of the third calendar year following the first year in which the participant rendered services in respect of the grant of PSUs.

Any PSU which is earned and has vested in accordance with the terms and conditions and has not been settled at the date of termination of the Settlement Period will be automatically settled on such date.

In the event of the termination of employment of a PSU participant by resignation or voluntarily termination of employment with the Company or one of its subsidiaries, or if a participant's employment with the Company or one of its subsidiaries is terminated for cause, all unvested PSUs are forfeited and all vested PSUs will be settled in accordance with the PSU Plan.

In the event a PSU participant's employment with the Company or one of its subsidiaries is terminated other than for cause, or if a participant ceases to be an employee as a result of permanent disability, as such term is defined in the PSU Plan, or death, each grant of unvested PSUs outstanding on the date that is the participant's last working day will be subject to prorated vesting (that is, vesting of a portion of each grant of unvested PSUs equal to the number of PSUs in such grant multiplied by a fraction, the numerator of which is the number of days elapsed from January 1 of the year of the grant to the last working day, and the denominator of which is 1,095, minus any vested PSUs in such grant, and forfeiture of remaining unvested PSUs) conditional upon subsequently being earned and eligible to vest in accordance with the level of attainment of the performance objective(s), the number of PSUs earned and eligible to vest and the number of Class B Subordinate Voting Shares underlying such PSUs, unless otherwise determined at the discretion of the Board of Directors, and will be settled in accordance with the PSU Plan.

No PSUs or any interest in the PSU Plan may be assignable or transferable by the participant other than by will or under the laws of succession.

The PSU Plan defines a "Material Transaction" as: (a) the sale by Martin Schwartz, Alan Schwartz, Jeffrey Schwartz and Jeff Segel to one or more third parties dealing at arm's length with each of them of at least 75% of the aggregate number of Class A Multiple Voting Shares and Class B Subordinate Voting Shares of the Company held by Martin Schwartz, Alan Schwartz, Jeffrey Schwartz and Jeff Segel immediately prior to such sale; (b) a merger, amalgamation, arrangement or other similar transaction between the Company and one or more other persons dealing at arm's length with the Company, as a result of which the shareholders of the Company immediately prior thereto hold in the aggregate less than 50% of the issued and outstanding shares of the Company or other entity resulting from such merger, amalgamation, arrangement or other similar transaction; (c) the sale by the Company of all or substantially all of its assets to a third party dealing at arm's length with the Company, or (d) the sale by the Company, to a third party dealing at arm's length with the Company, of all of the assets of one or more of its segments, or a distinct business or geographical unit or units of any segment or segments, or of all of the shares of its subsidiary companies comprising any segment or segments or a distinct business or geographical unit or units. For greater certainty, "Material Transaction" does not include a sale, merger, amalgamation, arrangement or other similar transaction pursuant to or in connection with any reorganization of the Company or of any segment. In the event of a Material Transaction:

- (i) the Settlement Period of all vested PSUs will terminate on the closing date of the Material Transaction;
- (ii) as of the closing date of the Material Transaction, all unvested PSUs will be deemed to have attained 100% of the relevant performance objective(s) and to have vested on a *pro rata* basis (that is, vesting of a portion of each grant of unvested PSUs equal to the number of PSUs in such grant multiplied by a fraction, the numerator of which is the number of days elapsed from January 1 of the year of the grant to the closing date of the Material Transaction, and the denominator of which is 1,095, minus any vested PSUs in such grant, and forfeiture of remaining unvested PSUs); and
- (iii) in the case of (d) above, (i) and (ii) will apply *mutatis mutandis* to any participant who is an employee of such segment on the closing date of such sale, but not to any other participant.

In the event of any reorganization, change in the number of issued and outstanding Class B Subordinate Voting Shares by reason of any stock dividend, stock split, reverse stock split, recapitalization, merger, consolidation, combination or exchange of shares or other similar corporate change, an equitable adjustment will be made by the Board of Directors, by adjusting (i) the number and/or kind of Class B Subordinate Voting Shares underlying outstanding PSUs, (ii) the factors and manner in which the settlement amount of a PSU is to be determined, or (iii) any other term and condition of the PSUs.

The PSU Plan is under the direction of the Board of Directors. The Board of Directors, in its sole discretion, has full and complete authority to administer and interpret the PSU Plan and to prescribe such rules and regulations and make such other determinations as it deems necessary or useful for the administration of the PSU Plan, including the power and authority to:

- (a) approve the employees to whom PSUs may be granted from time to time;
- (b) determine the time or times of grant, the time or times of vesting and the Settlement Period of PSUs granted to participants;
- (c) determine and modify from time to time the terms and conditions, including restrictions, not inconsistent with the terms of the PSU Plan, of any PSU, which terms and conditions may differ among individual PSU grants and participants, and to approve forms of PSU Grant Letters under the PSU Plan;
- (d) determine the level of attainment of the performance objective(s) which must be attained for PSUs to be earned, and to modify or waive such objective(s) in whole or in part;
- (e) accelerate the vesting or settlement of any PSU; and
- (f) make all determinations it deems advisable for the administration of the PSU Plan, to decide all disputes arising in connection with the PSU Plan and to otherwise supervise the administration of the PSU Plan.

All decisions and interpretations of the Board of Directors are binding on all persons, including the Company and participants.

Notwithstanding any provision of the PSU Plan to the contrary, in order to comply with the laws in other jurisdictions in which the Company and its subsidiaries operate or have employees, the Board of Directors, in its sole discretion, has the power and authority to:

- (a) determine which subsidiaries of the Company are covered by the PSU Plan;
- (b) determine which employees outside of Canada are eligible to participate in the PSU Plan;
- (c) modify the terms and conditions of any PSU granted to participants outside of Canada to comply with applicable foreign laws;
- (d) establish sub-plans and modify settlement procedures and other terms and procedures, to the extent the Board of Directors determines such actions to be necessary or advisable; and
- (e) take any action before or after a grant of PSUs is made that the Board of Directors determines to be necessary or advisable to obtain approval or comply with any local governmental regulatory exemptions or approvals.

On June 5, 2017, the Company granted an aggregate of 135,372 PSUs, which vest in whole after a three-year performance cycle and have performance vesting conditions. As at December 30, 2017, there were 320,060 PSUs outstanding, none of the outstanding PSUs were vested and the weighted average remaining contractual life of these PSUs was 1.28 years.

#### *SAR Plan*

In 2014, the Board of Directors of the Company adopted the SAR Plan for its senior executives and certain key employees and those of its subsidiaries. The purpose of the SAR Plan is to provide these employees with an interest in the performance of the Company through the granting of SARs. The SAR Plan is also intended to increase the interest in the Company's welfare of those employees who share primary responsibility for the management, growth and protection of the business of the Company, to furnish an incentive to such employees to continue their services for the Company and to provide a means through which the Company may attract able persons to enter its employment. A SAR is a right to receive a cash payment based on the increase in the market price of the Class B Subordinate Voting Shares from the grant date to the settlement date. During the third quarter of 2016, the Company amended its SAR Plan. Effective January 1, 2016, SARs vest in whole on the date on which the Board of Directors approves the Company's annual consolidated financial statements after a four-year period following the grant of the SARs. The participants have until ten business days prior to the end of the fiscal year in which the SARs vest to send a settlement notice to the Company. SARs will be settled in an amount equal to the difference between the closing price of the Class B Subordinate Voting Shares on the TSX on the date on which the Company receives the settlement notice from the participant and the grant price. The SARs vest based on service conditions and are not subject to performance conditions.

The SAR Plan is under the direction of the Board of Directors. The Board of Directors, in its sole discretion, has full and complete authority to administer and interpret the SAR Plan and to prescribe rules and regulations and make other determinations as it deems necessary or useful for the administration of the SAR Plan, including the power and authority to:

- (a) approve the employees to whom SARs may be granted from time to time;
- (b) determine the time or times of grant, and the time or times of vesting of SARs granted to participants (subject to a maximum term of five years);
- (c) determine and modify from time to time the terms and conditions, including restrictions, not inconsistent with the terms of the SAR Plan, of any SAR, which terms and conditions may differ among individual grants and participants, and to approve forms of grant letters under the SAR Plan;
- (d) accelerate the vesting of any SAR; and
- (e) make all determinations it deems advisable for the administration of the SAR Plan, to decide all disputes arising in connection with the SAR Plan and to otherwise supervise the administration of the SAR Plan.

All decisions and interpretations of the Board of Directors are binding on all persons, including the Company and participants.

Notwithstanding any provision of the SAR Plan to the contrary, in order to comply with the laws in other jurisdictions in which the Company and its subsidiaries operate or have employees, the Board of Directors, in its sole discretion, has the power and authority to:

- (a) determine which subsidiaries of the Company are covered by the SAR Plan;
- (b) determine which employees outside of Canada are eligible to participate in the SAR Plan;
- (c) modify the terms and conditions of any SAR granted to participants outside of Canada to comply with applicable foreign laws;
- (d) establish sub-plans and modify settlement procedures and other terms and procedures, to the extent the Board of Directors determines such actions to be necessary or advisable; and
- (e) take any action, before or after a grant of SARs is made, that the Board of Directors determines to be necessary or advisable to obtain approval or comply with any local governmental regulatory exemptions or approvals.

The following is a description of certain features of the SAR Plan:

- (a) the Board of Directors, in its sole discretion, at the time it approves the audited annual consolidated financial statements of the Company, approves the grant of SARs to one or more employees, the number of SARs to be granted and the terms and conditions of such SARs;
- (b) each grant of SARs is evidenced by a grant letter (the “**SAR Grant Letter**”) from the Company addressed to the participant setting out the date of grant, the number of SARs granted, the grant price, the vesting conditions and any other terms and conditions applicable to such SARs;
- (c) the grant price of each SAR is established by the Board of Directors at the time of grant, but cannot be less than the price of the Class B Subordinate Voting Shares Value as of the date of such grant, calculated using the weighted average trading price during the five trading days preceding such grant;
- (d) SARs vest in whole on the date on which the Board of Directors approves the Company’s annual consolidated financial statements after a four-year period following the grant of the SARs.
- (e) after vesting of the SARs, a participant must send a notice to the Company in prescribed form confirming that the participant wishes to settle his or her vested SARs (the “**Settlement Notice**”). Upon receipt by the



Company of the Settlement Notice, the Company will settle such vested SARs by paying to the participant (or, if deceased, the participant's estate, succession, heirs or legal representatives) for each vested SAR an amount in cash equal to the difference between the settlement share value and the grant price;

- (f) the settlement share value is equal to the closing price of the Class B Subordinate Voting Shares on the TSX on the date on which the Company receives the Settlement Notice from the participant;
- (g) if the Company is in a "blackout period" under its internal policies when it receives a Settlement Notice, the settlement share value will be determined as of the first trading day after the last day of the "blackout period";
- (h) participants have until ten business days prior to the end of the fiscal year in which the SARs vest to send a Settlement Notice. If the Company does not receive a Settlement Notice from a participant in respect of vested SARs at least ten business days prior to the end of the fiscal year, the participant will be deemed to have sent, and the Company will be deemed to have received, a Settlement Notice in respect of all of the participant's vested SARs as of the date which is ten business days prior to the last business day of such fiscal year;
- (i) if a participant resigns or voluntarily leaves his or her employment with the Company or a subsidiary, if a participant's employment with the Company or a subsidiary is terminated for any reason, or if a participant ceases to be an employee as a result of permanent disability or death, all unvested SARs will expire and be forfeited on the date that is the participant's last working day; and
- (j) no SAR or any interest may be assignable or transferable by the participant other than by will or under the laws of succession.

The SAR Plan defines a "Material Transaction" as: (a) the sale by Martin Schwartz, Alan Schwartz, Jeffrey Schwartz and Jeff Segel to one or more third parties dealing at arm's length with each of them of at least 75% of the aggregate number of Class A Multiple Voting Shares and Class B Subordinate Voting Shares of the Company held by Martin Schwartz, Alan Schwartz, Jeffrey Schwartz and Jeff Segel immediately prior to such sale; (b) a merger, amalgamation, arrangement or other similar transaction between the Company and one or more other persons dealing at arm's length with the Company, as a result of which the shareholders of the Company immediately prior thereto hold in the aggregate less than 50% of the issued and outstanding shares of the Company or other entity resulting from such merger, amalgamation, arrangement or other similar transaction; (c) the sale by the Company of all or substantially all of its assets to a third party dealing at arm's length with the Company, or (d) the sale by the Company, to a third party dealing at arm's length with the Company, of all of the assets of one or more of its segments, or a distinct business or geographical unit or units of any segment or segments, or of all of the shares of its subsidiary companies comprising any segment or segments or a distinct business or geographical unit or units. For greater certainty, "Material Transaction" does not include a sale, merger, amalgamation, arrangement or other similar transaction pursuant to or in connection with any reorganization of the Company or of any segment. In the event of a Material Transaction:

- (a) the Board of Directors will accelerate vesting of all unvested SARs, with effect and settlement as of the closing date of the Material Transaction; and
- (b) in the case of (d) above, the Board of Directors will accelerate vesting of all unvested SARs, with effect and settlement as of the closing date of the Material Transaction *mutatis mutandis* to any participant who is an employee of such segment on the closing date of such sale, but not to any other participant.

In the event of any reorganization, change in the number of issued and outstanding Class B Subordinate Voting Shares of the Company by reason of any stock dividend, stock split, reverse stock split, recapitalization, merger, consolidation, combination or exchange of shares or other similar corporate change, an equitable adjustment will be made by the Board of Directors, by adjusting (i) the number and/or kind of Class B Subordinate Voting Shares underlying outstanding SARs, (ii) the grant price of such SARs, or (iii) any other term and condition of the SARs. Such adjustment will be final and binding on all parties. No adjustment will be made for cash dividends.

The Board of Directors bears full responsibility with regard to the SAR Plan, which includes, but is not limited to, the power and authority to amend, suspend or terminate the SAR Plan, in whole or in part, or amend the terms and conditions of any outstanding SARs, provided that such amendment, suspension or termination does not adversely alter or impair any SAR

previously granted (provided further that the Board of Directors may at its discretion accelerate the vesting or settlement of any SAR regardless of any adverse or potentially adverse tax consequences resulting from such acceleration).

No SARs were issued in 2017. As at December 30, 2017, there were 977,211 SARs outstanding, none of the outstanding SARs had vested, the weighted average remaining fair value of the SARs outstanding was \$1.99 and the weighted average remaining contractual life of these SARs was 1.49 years

#### *RSU Plan*

On June 5, 2017, the Board of Directors of the Company adopted the RSU Plan for its senior executives and certain key employees and those of its subsidiaries. The purpose of the RSU Plan is to provide these employees with an interest in the performance of the Company through the granting of RSUs. The RSU Plan is also intended to increase the interest in the Company's welfare of those employees who share primary responsibility for the management, growth and protection of the business of the Company, to furnish an incentive to such employees to continue their services for the Company and to provide a means through which the Company may attract able persons to enter its employment. A RSU is a right to receive a cash payment based on the value of the Class B Subordinate Voting Shares at the vesting date. RSUs will be settled in an amount equal to the number of Class B Subordinate Voting Shares underlying the vested RSUs multiplied by their weighted average trading share price during the five trading days immediately preceding the vesting date. RSUs granted vest in whole after three years from the date of the grant. RSUs vest based on service conditions and are not subject to performance conditions.

RSUs are credited to an account maintained for the RSU participant by the Company. A RSU Plan participant may also receive dividend equivalents paid in the form of RSUs.

The RSU Plan is under the direction of the Board of Directors. The Board of Directors, in its sole discretion, has full and complete authority to administer and interpret the RSU Plan and to prescribe rules and regulations and make other determinations, as it deems necessary or useful for the administration of the RSU Plan, including the power and authority to:

- (a) approve the employees to whom RSUs may be granted from time to time;
- (b) determine the time or times of grant, and the time or times of vesting and the settlement date of the RSUs granted to participants;
- (c) determine and modify from time to time the terms and conditions, including restrictions, not inconsistent with the terms of the RSU Plan, of any RSU, which terms and conditions may differ among individual grants and participants, and to approve forms of grant letters under the RSU Plan;
- (d) accelerate the vesting or settlement of any RSU; and
- (e) make all determinations it deems advisable for the administration of the RSU Plan, to decide all disputes arising in connection with the RSU Plan and to otherwise supervise the administration of the RSU Plan.

All decisions and interpretations of the Board of Directors are binding on all persons, including the Company and participants.

Notwithstanding any provision of the RSU Plan to the contrary, in order to comply with the laws in other jurisdictions in which the Company and its subsidiaries operate or have employees, the Board of Directors, in its sole discretion, has the power and authority to:

- (a) determine which subsidiaries of the Company are covered by the RSU Plan;
- (b) determine which employees outside of Canada are eligible to participate in the RSU Plan;
- (c) modify the terms and conditions of any RSU granted to participants outside of Canada to comply with applicable foreign laws;
- (d) establish sub-plans and modify settlement procedures and other terms and procedures, to the extent the Board of Directors determines such actions to be necessary or advisable; and

- (e) take any action, before or after a grant of RSUs is made, that the Board of Directors determines to be necessary or advisable to obtain approval or comply with any local governmental regulatory exemptions or approvals.

The following is a description of certain features of the RSU Plan:

- (a) the Board of Directors, in its sole discretion, may at any time and from time to time approve the grant of RSUs to one or more participants, the number of RSUs to be granted and the terms and conditions of such RSUs;
- (b) each grant of RSUs is evidenced by a grant letter (the “**RSU Grant Letter**”) from the Company addressed to the participant setting out the date of grant, the number of RSUs granted, the vesting conditions (if any), the settlement date and any other terms and conditions applicable to such RSUs;
- (c) RSUs vest in whole after three years from the date of the issuance of the grant;
- (d) the settlement share value is a cash payment equal to the number of the Company’s Class B Subordinate Voting shares underlying the vested RSUs multiplied by the weighted average trading share price during the five trading days immediately preceding the vesting date;
- (e) if a participant resigns or voluntarily leaves his or her employment with the Company or one of its subsidiaries, or if a participant’s employment with the Company or one of its subsidiaries is terminated for cause, all unvested RSUs are forfeited and all vested RSUs will be settled in accordance with the RSU Plan;
- (f) if a participant’s employment with the Company or one of its subsidiaries is terminated other than for cause, or if prior to the vesting date a participant ceases to be an employee as a result of permanent disability, as such term is defined in the RSU Plan, or death, each grant of unvested RSUs outstanding on the date that is the participant’s last working day will be subject to prorated vesting (that is, vesting of a portion of each grant of unvested RSUs equal to the number of RSUs in such grant multiplied by a fraction, the numerator of which is the total number of days elapsed from January 1 of the year of the grant to the last working day, and the denominator of which is 1,095, and forfeiture of remaining unvested RSUs);
- (g) no RSU or any interest may be assignable or transferable by the participant other than by will or under the laws of succession; and
- (h) participants in the RSU Plan who are also participants in the EDSU Plan shall have the right annually to elect to receive, in lieu of RSUs under this Plan, an equivalent number of DSUs under the EDSU Plan, in accordance with terms and conditions established time-to-time by the Company. An election must be received by the Company no later than December 31 of the year immediately preceding the year in which the RSUs would otherwise have been granted and shall specify the percentage of RSUs which the Participant wishes to receive in the form of DSUs under the EDSU Plan. Any DSUs granted to a participant further such election in lieu of RSUs shall be governed thereafter exclusively by the terms and conditions of the EDSU Plan. Any RSUs in participants account pursuant to this plan shall be included in the calculation of DSU value for purposes of determining “Share Ownership Value” under the EDSU Plan.

The RSU Plan defines a “Material Transaction” as: (a) the sale by Martin Schwartz, Alan Schwartz, Jeffrey Schwartz and Jeff Segel to one or more third parties dealing at arm’s length with each of them of at least 75% of the aggregate number of Class A Multiple Voting Shares and Class B Subordinate Voting Shares of the Company held by Martin Schwartz, Alan Schwartz, Jeffrey Schwartz and Jeff Segel immediately prior to such sale; (b) a merger, amalgamation, arrangement or other similar transaction between the Company and one or more other persons dealing at arm’s length with the Company, as a result of which the shareholders of the Company immediately prior thereto hold in the aggregate less than 50% of the issued and outstanding shares of the Company or other entity resulting from such merger, amalgamation, arrangement or other similar transaction; or (c) the sale by the Company of all or substantially all of its assets to a third party dealing at arm’s length with the Company. For greater certainty, “Material Transaction” does not include a sale, merger, amalgamation, arrangement or other similar transaction pursuant to or in connection with any reorganization of the Company or of any segment. In the event of a Material Transaction:

- (a) the Settlement Period of all vested RSUs shall be the earlier of (i) the vesting date and (ii) the closing date of the Material Transaction;
- (b) as of the closing date of the Material Transaction, all unvested RSUs will be deemed to have vested on a *pro rata* basis (that is, vesting of a portion of each grant of unvested RSUs equal to the number of RSUs in such grant multiplied by a fraction, the numerator of which is the number of days elapsed from January 1 of the year of the grant to the closing date of the Material Transaction, and the denominator of which is 1,095, and forfeiture of remaining unvested RSUs); and
- (c) in the case of the sale by the Company of all or substantially all of its assets of one or more of its segments, or a distinct business or geographical unit or units of any segment or segments, or all of the shares of its subsidiary companies comprising any segment or segments or a distinct business or geographical units, (a) and (b) shall apply *mutatis mutandis* to any participant who is an employee of such segment on the closing date of such sale, but not to any other participant.

In the event of any reorganization, change in the number of issued and outstanding Class B Subordinate Voting Shares of the Company by reason of any stock dividend, stock split, reverse stock split, recapitalization, merger, consolidation, combination or exchange of shares or other similar corporate change, an equitable adjustment will be made by the Board of Directors, by adjusting (i) the number and/or kind of Class B Subordinate Voting Shares underlying outstanding RSUs, (ii) the factors and manner in which the settlement amount of an RSU is to be determined, or (iii) any other term and condition of the RSUs. Such adjustment will be final and binding on all parties.

The Board of Directors bears full responsibility with regard to the RSU Plan, which includes, but is not limited to, the power and authority to amend, suspend or terminate the RSU Plan, in whole or in part, or amend the terms and conditions of any outstanding RSUs, provided that such amendment, suspension or termination does not adversely alter or impair any RSU previously granted (provided further that the Board of Directors may at its discretion accelerate the vesting or settlement of any RSU regardless of any adverse or potentially adverse tax consequences resulting from such acceleration).

On June 5, 2017, the Company granted an aggregate of 72,095 RSUs, which vest in whole on June 5, 2020 and vest based on service conditions. As at December 30, 2017, there were 71,343 RSUs outstanding, none of the outstanding RSUs were vested and the weighted average remaining contractual life of these RSUs was 2.42 years.

### **Executive Deferred Share Unit Plan**

On March 11, 2009, the Board of Directors adopted the EDSU Plan for certain of the Company's executives, which was ratified by shareholders at the Company's annual and special general meeting held on May 27, 2009. The purpose of the EDSU Plan is to attract, retain and motivate qualified individuals to serve as executives of the Company and to promote a greater alignment of interests between the executives and shareholders of the Company. In addition, the EDSU Plan is designed to assist the executives in attaining prescribed levels of ownership of the Company's shares.

The following is a description of certain features of the EDSU Plan, as required by the TSX:

- (a) under the EDSU Plan, an executive of the Company may elect annually to have a portion of his or her annual salary and bonus paid in the form of DSUs;
- (b) a participant in the EDSU Plan may also receive dividend equivalents in the form of DSUs;
- (c) the number of DSUs received by an executive is determined by dividing the amount of the salary and bonus to be paid in the form of DSUs on that date or dividends to be paid on the payment date (the "**Award Date**") by the fair market value of the Class B Subordinate Voting Shares on the Award Date. The Award Date is the last business day of each month of the Company's fiscal year in the case of salary, the date on which the bonus is, or would otherwise be, paid to the participant in the case of bonus, and the date on which the dividends are payable in the case of dividends. The fair market value of the Class B Subordinate Voting Shares is equal to their weighted average trading price on the TSX during the five trading days preceding the Award Date. The DSUs are credited to an account maintained for the executive by the Company;

- (d) upon the termination of an executive's service with the Company, the executive will receive either:
  - (i) a cash amount equal to the number of DSUs in the executive's account multiplied by the fair market value of the Class B Subordinate Voting Shares on the date a notice of redemption is filed with the Company by the executive. The fair market value of the Class B Subordinate Voting Shares will be equal to their weighted average trading price on the TSX during the five trading days preceding the redemption date; or
  - (ii) a number of Class B Subordinate Voting Shares equal to the number of DSUs in the executive's account. Such Class B Subordinate Voting Shares will be purchased by the Company on the TSX or issued from treasury; or
  - (iii) a combination of cash and Class B Subordinate Voting Shares;
- (e) the mode of payment will be determined by the Board of Directors in its discretion. All payments will be made net of applicable taxes;
- (f) participants in the EDSU Plan, other than "insiders" of the Company, are entitled to receive additional DSUs in an amount equal to 10% of the number of DSUs awarded to them;
- (g) the Board of Directors can grant discretionary DSUs to participants in the EDSU Plan, other than "insiders" of the Company;
- (h) the Board of Directors can set vesting conditions for DSUs;
- (i) the Board of Directors can adopt specific provisions for participants in the EDSU Plan resident in a particular country;
- (j) DSUs may not be assigned or transferred. Each participant in the EDSU Plan may designate one or more beneficiaries to receive, in the event of the participant's death, the value of DSUs credited to such participant;
- (k) the EDSU Plan contains restrictions on the number of Class B Subordinate Voting Shares which may be issued thereunder to the Company's "insiders", that is, its directors and officers and those of its subsidiaries. Under the EDSU Plan, no DSU may be issued if such issuance could result, at any time, in the number of Class B Subordinate Voting Shares: (i) issued to "insiders" of the Company within any one-year period; and (ii) issuable to "insiders" of the Company at any time, under the EDSU Plan, or when combined with all of the Company's other security-based compensation arrangements (such as the Stock Option Plan), exceeding 10% of the aggregate number of issued and outstanding Class A Multiple Voting Shares and Class B Subordinate Voting Shares of the Company;
- (l) subject to the exceptions set out in paragraphs (a) to (c) below, the Board of Directors may amend, suspend or terminate the EDSU Plan, or any portion thereof, at any time, and may do so without shareholder approval, subject to those provisions of applicable law, if any, that require the approval of shareholders or any governmental or regulatory body. Without limiting the generality of the foregoing, the Board of Directors may make the following types of amendments to the EDSU Plan without seeking shareholder approval:
  - i. amendments of a "housekeeping" or ministerial nature including, without limiting the generality of the foregoing, any amendment for the purpose of curing any ambiguity, error or omission in the EDSU Plan or to correct or supplement any provision of the EDSU Plan that is inconsistent with any other provision of the EDSU Plan;
  - ii. amendments necessary to comply with the provisions of applicable law (including, without limitation, the rules, regulations and policies of the TSX);
  - iii. amendments necessary in order for DSUs to qualify for favourable treatment under applicable taxation laws;

- iv. amendments respecting administration of the EDSU Plan;
- v. amendments to the definitions of certain terms in the EDSU Plan;
- vi. amendments to the various forms set out in the schedules to the EDSU Plan;
- vii. amendments to the redemption provisions of the EDSU Plan or relating to any DSU, whether or not such DSU is held by an “insider” of the Company;
- viii. amendments necessary to suspend or terminate the EDSU Plan; and
- ix. any other amendment, whether fundamental or otherwise, not requiring shareholder approval under applicable law (including, without limitation, the rules, regulations and policies of the TSX).

Shareholder approval will be required for the following types of amendments to the EDSU Plan:

- (a) amendments to the maximum number of Class B Subordinate Voting Shares which may be issued from the Company’s treasury in aggregate to all participants pursuant to the EDSU Plan, including an increase to a fixed maximum number of shares or a change from a fixed maximum number of shares to a fixed maximum percentage;
- (b) any amendment which increases the number of DSUs that may be issued, or the number of Class B Subordinate Voting Shares that may be issued or paid upon redemption of DSUs, to a participant who is an “insider” of the Company; and
- (c) amendments required to be approved by shareholders under applicable law (including, without limitation, the rules, regulations and policies of the TSX).

In the event of any conflict between paragraphs (i) to (ix) and paragraphs (a) to (c) above, the latter will prevail.

The maximum number of Class B Subordinate Voting Shares that may be issued from treasury under the EDSU Plan is 750,000, representing 2.3% of the aggregate number of issued and outstanding Class A Multiple Voting Shares and Class B Subordinate Voting Shares as at December 30, 2017. As at December 30, 2017, there were an aggregate of 140,885 DSUs outstanding under the EDSU Plan held by an aggregate of 32 of the Company’s executives, representing 0.43% of the aggregate number of then-issued and outstanding Class A Multiple Voting Shares and Class B Subordinate Voting Shares, and 609,115 DSUs remained issuable under the EDSU Plan, representing 1.88% of the aggregate number of then-issued and outstanding Class A Multiple Voting Shares and Class B Subordinate Voting Shares. ABR for the EDSU Plan, calculated in accordance with section 613(p) of the TSX Company Manual, was 0.05% in the fiscal year ended December 30, 2015, 0.14% in the fiscal year ended December 30, 2016, and 0.16% in fiscal year ended December 30, 2017.

#### *Executive Share Ownership Policy*

Under the Company’s Executive Share Ownership Policy, each executive is expected to own and maintain ownership of a minimum value of Class B Subordinate Voting Shares and/or DSUs under the EDSU Plan and attain share ownership value within five years (or such later date as may be determined at the discretion of the Board of Directors) from the effective date of becoming a participant. Under the EDSU Plan, the share ownership requirements began in 2010. The value of the required holding in Class B Subordinate Voting Shares and/or DSUs under the EDSU Plan represents three times the annual salary for the President and Chief Executive Officer and the three Executive Vice-Presidents, and  $\frac{3}{4}$  times the annual salary for the Senior Vice-President, Finance. Each of the Named Executive Officers currently complies with the minimum share ownership value requirement.

#### **Other Benefits and Perquisites**

Other benefits and perquisites to which the President and Chief Executive Officer and three Executive Vice-Presidents are entitled include a \$25,000 taxable allowance for various expenses and a taxable benefit for travel expenditures, while the Senior Vice-President, Finance is entitled to a car allowance and related expenses and a taxable benefit for travel

expenditures. These benefits are designed to be competitive in light of market conditions and are reflected in the “Summary Compensation Table” below.

### Deferred Profit Sharing Plan

The Senior Vice-President, Finance is eligible to join the Deferred Profit Sharing Plan offered by the Company to certain of its employees. Under the Deferred Profit Sharing Plan, certain eligible employees can make contributions in an amount from 1% to 5% of earnings and the Company will contribute 50% of the employee’s contributions; however, these amounts may be reduced under the rules of the *Income Tax Act* (Canada), which limit the amount of contributions to a tax-deferred retirement plan.

### Executive Compensation-Related Fees

#### *Executive Compensation-Related Fees*

“Executive Compensation-Related Fees” consist of fees for professional services billed by each consultant or advisor, or any of its affiliates, that are related to determining compensation for any of the Company’s directors and executive officers. For the fiscal years ended December 30, 2017 and 2016, Meridian billed the Company \$16,199 and \$47,156, respectively, in Executive Compensation-Related Fees.

#### *All Other Fees*

“All Other Fees” consist of fees for services that are billed by each consultant or advisor mentioned above and which are not reported under “Executive Compensation-Related Fees”. Meridian and Mercer did not bill the Company for any other fees during the fiscal years ended December 30, 2017 and 2016.

## 2. Summary Compensation Table

The following table sets out all annual compensation for services in all capacities to the Company and its subsidiaries for the fiscal years ended December 30, 2017, 2016 and 2015 in respect of the NEOs:

Name and principal position	Year	Salary (\$)	Share-based awards <sup>(1)</sup> (\$)	Restricted Share Units awards <sup>(2)</sup> (\$)	Share Appreciation Rights awards <sup>(3)</sup> (\$)	Non-equity incentive plan compensation (\$)		Pension value <sup>(7)</sup> (\$)	Other annual compensation (\$)	Total compensation (\$)
						Annual incentive plans <sup>(4)(5)</sup>	Long-term incentive plans <sup>(6)</sup>			
Martin Schwartz President and Chief Executive Officer	2017	999,357	339,270	167,103	—	999,357	—	—	62,955 <sup>(8)(10)</sup>	2,568,042
	2016	970,366	327,750	—	262,996	895,181	—	—	63,004 <sup>(8)(10)</sup>	2,519,297
	2015	938,375	319,795	—	236,266	938,371	—	—	50,520 <sup>(8)(10)</sup>	2,483,327
Jeff Segel Executive Vice- President, Sales and Marketing	2017	999,357	339,270	167,103	—	999,357	—	—	63,843 <sup>(8)(10)</sup>	2,568,930
	2016	970,366	327,750	—	262,996	895,181	—	—	55,958 <sup>(8)(10)</sup>	2,512,251
	2015	938,375	319,795	—	236,266	938,371	—	—	56,131 <sup>(8)(10)</sup>	2,488,938
Alan Schwartz Executive Vice- President, Operations	2017	999,357	339,270	167,103	—	999,357	—	—	63,152 <sup>(8)(10)</sup>	2,568,239
	2016	970,366	327,750	—	262,996	895,181	—	—	56,834 <sup>(8)(10)</sup>	2,513,127
	2015	938,375	319,795	—	236,266	938,371	—	—	68,320 <sup>(8)(10)</sup>	2,501,127
Jeffrey Schwartz Executive Vice- President and Chief Financial Officer	2017	999,357	339,270	167,103	—	999,357	—	—	62,955 <sup>(8)(10)</sup>	2,568,042
	2016	970,366	327,750	—	262,996	895,181	—	—	55,387 <sup>(8)(10)</sup>	2,511,680
	2015	938,375	319,795	—	236,266	938,371	—	—	51,837 <sup>(8)(10)</sup>	2,484,644
Frank Rana Senior Vice- President, Finance	2017	521,101	176,907	87,133	—	273,578	—	—	31,833 <sup>(9)(10)</sup>	1,090,552
	2016	505,980	170,900	—	137,135	349,742	—	—	23,970 <sup>(9)(10)</sup>	1,187,727
	2015	489,300	166,752	—	123,197	366,975	—	—	17,036 <sup>(9)(10)</sup>	1,163,260

- (1) The Company granted PSUs pursuant to the PSU Plan during the fiscal years ended December 30, 2017, 2016 and 2015. For more information, see the description of the PSU Plan above. The amount shown for the PSUs is the grant date target value. The amounts are equal to the number of PSUs granted on June 5, 2017 for the year 2017, on August 12, 2016 for the year 2016 and on June 29, 2015 for the year 2015 multiplied by the weighted average trading price of the Class B Subordinate Voting Shares during the five trading days preceding the grant dates (\$35.09 for the grant on June 5, 2017, \$37.33 for the grant on August 12, 2016 and \$33.69 for the grant on June 29, 2015). These amounts do not reflect the current value of the PSUs or the value, if any, that may be received when the PSUs are settled.
- (2) The Company granted RSUs pursuant to the RSU Plan during the fiscal year ended December 30, 2017. For more information, see the description of the RSU Plan above. The amount shown for the RSUs is the grant date target value. The amounts are equal to the number of RSUs granted on June 5, 2017 for the year 2017 multiplied by the weighted average trading price of the Class B Subordinate Voting Shares during the five trading days preceding the grant date (\$35.09 for the grant on June 5, 2017). The amounts do not reflect the current value of the RSUs or the value that may be received when the RSUs are settled.
- (3) The Company granted SARs pursuant to the SAR Plan during the fiscal years ended December 30, 2016 and 2015. No SARs were granted for the fiscal year ended December 30, 2017. For more information, see the description of the SAR Plan above. The amount shown for the SARs is the grant date target value. The amounts are equal to the number of SARs granted on August 12, 2016 and on June 29, 2015 for the year 2016 and 2015 multiplied by the weighted average fair value of the SARs as of the grant date (\$5.24 for the grant on August 12, 2016 and \$4.30 for the grant on June 29, 2015). The amounts of the weighted average fair value of the SARs do not reflect the current value of the SARs or the value, if any, that may be received when the SARs are settled.

The fair values were determined using the Black-Scholes pricing model, a commonly-used methodology, with the following weighted average assumptions

	2016	2015
Risk-free interest rate	0.54%	0.83%
Dividend yield	4.16%	4.41%
Expected volatility	28.41%	26.25%
Expected life	3.5 years	3.75 years
Weighted average fair value of the SARs	\$5.24 (on August 12, 2016)	\$4.30 (on June 29, 2015)

- (4) As part of the compensation for the fiscal year ended December 30, 2016, the Executive Vice-President, Operations, Executive Vice-President, Sales and Marketing, and Executive Vice-President and Chief Financial Officer each elected to receive \$100,000 of their annual incentive plan in the form of DSUs pursuant to the EDSU Plan. For the fiscal year ended December 30, 2015, the Executive Vice-President, Sales and Marketing, Executive Vice-President and Chief Financial Officer, and Senior Vice-President, Finance elected respectively to receive \$100,000, \$200,000 and \$100,000 of their annual incentive plan in the form of DSUs pursuant to the EDSU Plan. For more information, see the description of the EDSU Plan above.
- (5) In 2017, with the exception of the Senior Vice-President, Finance, the NEOs received 100% payout for the execution and realization of their strategic objectives. In 2017, the Senior Vice-President, Finance received a payout based on the Company achieving 90% of its EBIT, achieving its CCC performance metric at 105 days and achieving the strategic initiatives. In 2016, the annual incentive was limited to a payout based on the Company achieving approximately 95% of its EPS. In addition, the Company achieved its CCC performance metric at 105 days and the strategic initiatives were met. In 2015, the annual incentive was limited to a payout based on the Company achieving 100% of its EPS and ROC performance targets and its strategic initiatives.
- (6) The Company does not have non-equity long-term incentive plans.
- (7) The Company does not have a retirement plan.
- (8) The amounts related to the President and Chief Executive Officer and three Executive Vice-Presidents include a \$25,000 taxable allowance for various expenses while the balance relates to a taxable benefit for travel expenditures. The amounts reflect market prices for equivalent travel expenditures.
- (9) These amounts represents the Company's contribution to the Deferred Profit Sharing Plan and a service award of \$3,000 for a thirty-year employment with the Company. Perquisites and other personal benefits provided to this NEO, in aggregate, do not exceed the lesser of \$50,000 and 10% of his annual salary for the 2017, 2016 and 2015 fiscal years.
- (10) These amounts also include the value of the additional PSUs and RSUs credited to each NEO to account for the issuance of dividends during the year. This value is based on the weighted average trading price of the Class B Subordinate Voting Shares during the five trading days preceding the date on which the dividends were payable.

### 3. Incentive Plan Awards

#### *Outstanding Share-based Awards, Restricted Share Units Awards and Share Appreciation Rights Awards*

The following table sets out all share-based awards, RSUs and SARs held by the NEOs as at December 30, 2017.

Name	Share Appreciation Rights awards				Restricted Share Units awards			Share-based awards		
	Number of securities underlying unexercised SARs (#)	SAR exercise price (\$)	SAR expiration date <sup>(1)</sup>	Value of unexercised in-the-money SARs <sup>(2)</sup> (\$)	Number of RSUs that have not vested (#)	Market or payout value of RSUs <sup>(3)</sup> (\$)	Market or payout value of vested RSU awards not paid out or distributed <sup>(5)</sup> (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested <sup>(4)</sup> (\$)	Market or payout value of vested share-based awards not paid out or distributed <sup>(5)</sup> (\$)
Martin Schwartz	16,507	38.97	2018	—	4,881	151,815	—	27,317	849,559	—
	54,990	33.69	2019	—						
	50,193	37.33	2020	—						
Jeff Segel	16,507	38.97	2018	—	4,881	151,815	—	27,317	849,559	—
	54,990	33.69	2019	—						
	50,193	37.33	2020	—						



Name	Share Appreciation Rights awards				Restricted Share Units awards			Share-based awards		
	Number of securities underlying unexercised SARs (#)	SAR exercise price (\$)	SAR expiration date <sup>(1)</sup>	Value of unexercised in-the-money SARs <sup>(2)</sup> (\$)	Number of RSUs that have not vested (#)	Market or payout value of RSUs <sup>(3)</sup> (\$)	Market or payout value of vested RSU awards not paid out or distributed <sup>(5)</sup> (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested <sup>(4)</sup> (\$)	Market or payout value of vested share-based awards not paid out or distributed <sup>(5)</sup> (\$)
Alan Schwartz	16,507	38.97	2018	—	4,881	151,815	—	27,317	849,559	—
	54,990	33.69	2019	—						
	50,193	37.33	2020	—						
Jeffrey Schwartz	16,507	38.97	2018	—	4,881	151,815	—	27,317	849,559	—
	54,990	33.69	2019	—						
	50,193	37.33	2020	—						
Frank Rana	8,607	38.97	2018	—	1,899	79,161	—	14,244	442,989	—
	28,674	33.69	2019	—						
	26,172	37.33	2020	—						

- (1) The expiration date is ten business days prior to the last business day of the specified financial year.
- (2) The value of unexercised “in the money” SARs is equal to the excess of the closing price (\$31.10) of the Class B Subordinate Voting Shares on the TSX on December 29, 2017, the last trading day of the fiscal year ended December 30, 2017, over the base price of the SARs (which is equal to the SARs exercise price). This value has not been, and may never be, realized. The actual gain, if any, will depend on the value of the Class B Subordinate Voting Shares on the dates on which the SARs are settled.
- (3) This column sets out the market value of the unvested RSUs using the closing price (\$31.10) of the Class B Subordinate Voting Shares on the TSX on December 29, 2017, the last trading day of the fiscal year ended December 30, 2017. The market value is based on all RSUs granted including RSUs credited as dividend equivalents. This actual payment will depend on the value of the Class B Subordinate Voting Shares on the date on which the RSUs vest.
- (4) This column sets out the market value of the unvested PSUs using the closing price (\$31.10) of the Class B Subordinate Voting Shares on the TSX on December 29, 2017, the last trading day of the fiscal year ended December 30, 2017. PSUs were valued based on the aggregate payout expected using a multiplier of 97% applied to PSUs granted in 2015 and vesting in 2018, a multiplier of 83% applied to PSUs granted in 2016 and vesting in 2019 and a multiplier of 92% applied to PSUs granted in 2017 and vesting in 2020. The market value is based on all PSUs granted including PSUs credited as dividend equivalents. This value has not been, and may never be, realized.
- (5) As at December 30, 2017, none of the outstanding RSUs and PSUs held by the NEOs had vested.

### ***Incentive Plan Awards – Value Vested or Earned During the Year***

The following table sets out, for each NEO, the value of SARs, RSUs and share-based awards that vested during the fiscal year ended December 30, 2017 and the amount of bonus earned with respect to performance achieved during fiscal 2017:

Name	Share Appreciation Rights awards – Value vested during the year <sup>(1)</sup> (\$)	Restricted Share Units awards – Value vested during the year <sup>(2)</sup> (\$)	Share-based awards – Value vested during the year <sup>(3)</sup> (\$)	Non-equity incentive plan compensation – Value earned during the year <sup>(4)</sup> (\$)
Martin Schwartz	—	—	—	999,357
Jeff Segel	—	—	—	999,357
Alan Schwartz	—	—	—	999,357
Jeffrey Schwartz	—	—	—	999,357
Frank Rana	—	—	—	273,578

- (1) This column sets out the value of SARs that vested on March 9, 2017 and could have been settled up to December 15, 2017. Throughout the year the closing price of the Class B Subordinate Voting Share on the TSX did not exceed the SAR exercise price (\$38.97). Hence, no SAR payments were made to the NEOs in the year 2017.
- (2) None of the RSUs vested during the fiscal year ended December 30, 2017.
- (3) This column sets out the value of the PSUs that vested on March 9, 2017. The value is calculated by multiplying the number of PSUs vested at the vesting date by the weighted average trading price of the Class B Subordinate Voting Shares on the TSX during the five trading days preceding the vesting date. The value represents the actual payout during the year, as the PSUs vested and were settled on the same date. No PSU payments were made to the NEOs in the year 2017.
- (4) Corresponds to the same amounts as disclosed in the “Summary Compensation Table” above.

### ***Pension Plan Benefits***

The Named Executive Officers are not participants in any defined benefit plan.

## Termination and Change of Control Benefits

### Frank Rana, Senior Vice-President, Finance

Effective December 1, 2016, the Company entered into an Employment Agreement (the “**Employment Agreement**”) with Frank Rana, Senior Vice-President, Finance, one of the Company’s NEOs. This section describes the benefits applicable in the event of termination of Mr. Rana’s employment or a change of control of the Company.

The Employment Agreement is for an indeterminate term and provides that the Company may terminate Mr. Rana’s employment at any time for cause without notice or any compensation in lieu of notice, or any other compensation whatsoever.

The Employment Agreement provides that if the Company terminates Mr. Rana’s employment without cause, Mr. Rana will be entitled to the following payments and benefits, in addition to his base salary, bonus, benefits and expenses due and owing at the date of termination, subject to applicable withholding taxes:

- a salary continuance or a lump-sum payment in an amount equal to two times the average of the total annual compensation paid to Mr. Rana during the two-year period preceding his termination of employment, as set out under the “Summary Compensation Table” in the management proxy circular of the Company; and
- a continuance for a period of two years following termination of Mr. Rana’s automobile benefit, and group insurance and RRSP/DPSP benefits.

All of Mr. Rana’s rights and entitlements in respect of stock options, DSUs, PSUs, SARs and RSUs will be governed exclusively by the terms of the relevant stock option plan, EDSU Plan, PSU Plan, SAR Plan, RSU Plan or agreement or other applicable plan or agreement and any document or contract ancillary thereto.

The following table sets out the estimated incremental payment that Mr. Rana would have received had his employment been terminated without cause on December 29, 2017, the last business day of the Company’s most recently-completed fiscal year. Mr. Rana would have been entitled to receive an incremental payment of approximately \$2,115,000, subject to applicable withholding taxes.

Amounts Due on Termination								
Contractual Severance <sup>(1)</sup>						Long-Term Incentive Plans		
Salary (\$)	Annual Incentive Bonus (\$)	Share- Based Awards (\$)	Restricted Share Units Awards (\$)	Share Appreciation Rights Awards (\$)	Other Annual Compensation <sup>(2)</sup> (\$)	Performance Share Units and Restricted Share Units Plans <sup>(3)</sup> (\$)	Share Appreciation Rights <sup>(4)</sup> (\$)	Total (\$)
1,027,000	623,000	—	—	5,000	79,000	381,000	—	2,115,000

- (1) The amounts stated under this caption represents two times the average of the total annual compensation paid to Mr. Rana in the years 2017 and 2016, as set out under the “Summary Compensation Table” in the Company’s management proxy circular.
- (2) Automobile benefits, and group insurance and RRSP/DPSP benefits have been included under “Other Annual Compensation”.
- (3) PSU and RSU grants are reduced in proportion to the length of service between the award date and the date of departure to the length of the total vesting period, subject to meeting the performance objectives.
- (4) Upon termination, all unvested SARs expire and are forfeited on the termination date.

The Employment Agreement includes non-competition and non-solicitation clauses that are in effect for so long as Mr. Rana is an employee of the Company and for a period of twelve months immediately following the date on which he ceases to be an employee, for whatever reason. The Employment Agreement also includes a mutual non-disparagement clause. The Employment Agreement provides that the Company may waive a breach of any provision of the Employment Agreement by Mr. Rana, which waiver must be in writing and signed by the Company.

### *Change of Control*

Effective December 1, 2016, the Company and Mr. Rana also entered into a Capital Appreciation Bonus Agreement (the “**Bonus Agreement**”) which provides that in the event of a change of control of the Company, as defined in the Bonus Agreement, Mr. Rana will be entitled to a bonus payment in an amount equal to 1.15% of the difference, if any, between the value of the Company on the effective date of such transaction, as determined by the Board of Directors based on the recommendation of the Chief Executive Officer and Chief Financial Officer, acting together and in their discretion, and the value of the Company as set out in the Capital Appreciation Bonus Agreement. Similarly, in the event that Mr. Rana’s employment terminates by reason of his death, or in the event that Mr. Rana’s employment is terminated at any time without cause, as that term is defined in the Employment Agreement, and a change of control of the Company, as defined in the Bonus Agreement, occurs at any time during a period of six months immediately following such death or termination without cause, Mr. Rana or his estate, as the case may be, will be entitled to receive the bonus, determined and paid in accordance with the provisions of the Bonus Agreement. The Company will pay 75% of the bonus to Mr. Rana or his estate, as the case may be, within five business days from the effective date of the change of control, and pay 25% of the bonus not later than one year after the effective date.

The Company cannot provide a reasonable estimate of the amount of the bonus payable to Mr. Rana, or a reasonable estimate of the range of amounts, in this Circular as the baseline amount for determining the amount of the bonus payable to Mr. Rana is considered by the Company to be confidential.

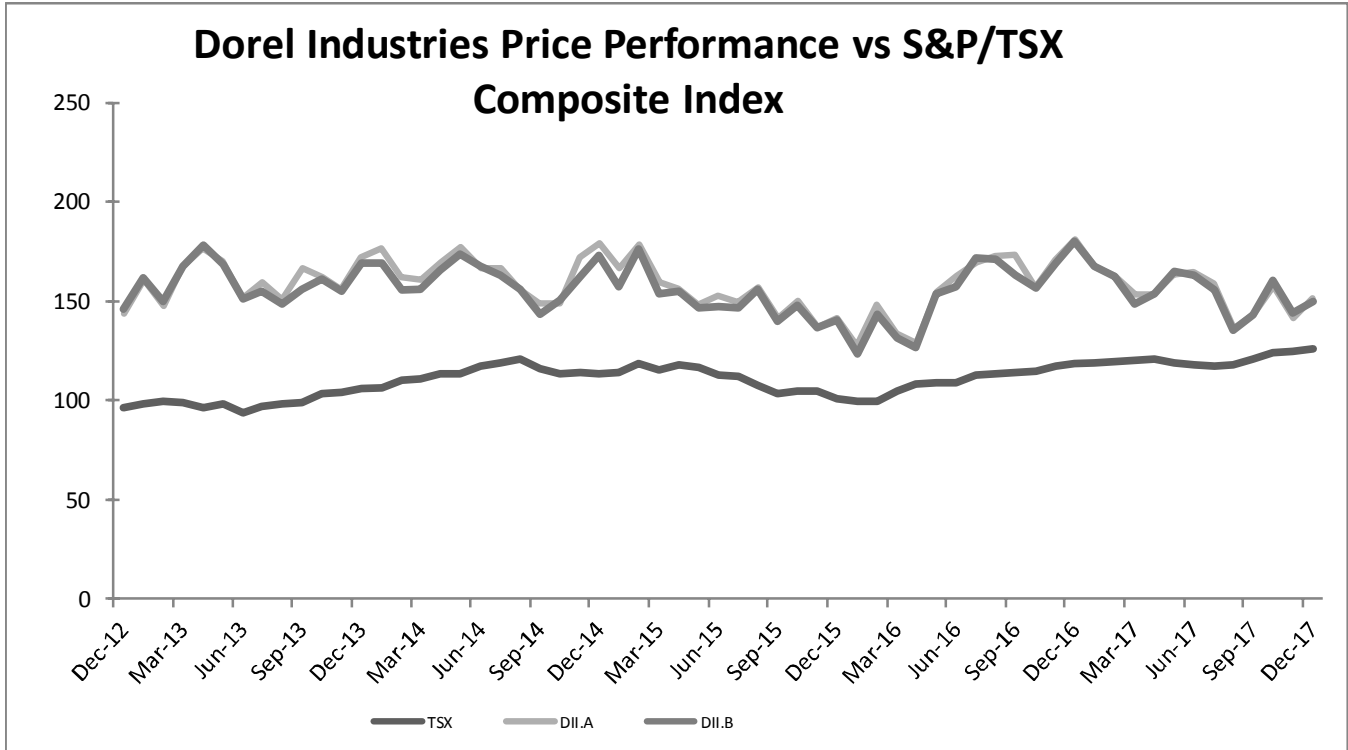
### **Other NEOs**

Pursuant to the current employment practices of the Company, the compensation of each of the NEOs is reviewed and set on an annual basis by the HRCC as described in the Executive Compensation Section - “Compensation Discussion and Analysis” of this Circular.

As of the date of this Circular, the Company does not have employment, termination or severance agreement or arrangement, including change of control arrangements, with Messrs. Martin Schwartz, Jeff Segel, Alain Schwartz or Jeffrey Schwartz. If the employment of any of these NEOs is terminated, the NEO will be entitled to the same rights as those available to all employees under the laws applicable to their employment.

#### 4. Performance Graph

The following graph compares the cumulative total shareholder return of a \$100 investment in the Class A Multiple Voting Shares and Class B Subordinate Voting Shares of the Company, respectively, made on December 31, 2012 with the cumulative return of the S&P/TSX Composite Index for the period from December 31, 2012 to December 30, 2017.



The above performance graph shows that the cumulative shareholder return for an investment in the shares of the Company has followed a similar trend to the broad index over the past five years. Fluctuations have not been drastic; however, there was an increase in the cumulative shareholder return in 2012, followed by a decrease in 2013, an increase in 2014, a decrease in 2015, an increase in 2016 and a decrease in 2017. A comparison of the NEOs' compensation with the total return on the Company's shares reflects this trend as there was a decrease in 2013 and an increase in 2014, 2015, 2016 and 2017. Increases in base salaries in the past years have been limited so as to put more emphasis on variable compensation. Further, the annual incentives are based on the fiscal year's predetermined financial performance targets. In 2017, the Company achieved 90% of its EBIT while its CCC performance metric was achieved at 105 days and the strategic initiatives were met. In 2016, the Company achieved approximately 95% of its EPS while its CCC performance metric was achieved at 105 days and the strategic initiatives were met. In 2015, the Company achieved 100% of its EPS and ROC performance targets and the strategic initiative were met. In 2014, the Company achieved more than 85% of its EPS and ROC performance targets and the strategic initiatives were met. In 2013, the Company achieved less than 85% of its EPS and ROC performance targets. However, the strategic initiatives were met. Finally, the value of the long-term incentives in the form of stock options, PSUs, SARs and RSUs are tied to increases in market value.

## SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets out certain details as at December 30, 2017, the end of the Company’s last fiscal year, with respect to compensation plans pursuant to which equity securities of the Company are authorized for issuance.

Plan Category	Number of shares to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of shares remaining available for future issuance under the Equity Compensation Plans (excluding securities reflected in column (a)) (c)
Equity compensation plans previously approved by shareholders - Options	35,000	US\$28.16	4,622,750
Equity compensation plans previously approved by shareholders - Directors’ DSUs	137,849	\$32.41	212,151
Equity compensation plans previously approved by shareholders - Executive DSUs	140,885	\$30.11	609,115

The options referred to in the table above were granted under the Stock Option Plan. See “2004 Stock Option Plan” above for a description of the material features of the Stock Option Plan. The DSUs referred to in the table above were issued pursuant to the EDSU Plan and DSU Plan. See “Executive Compensation – 1. Compensation Discussion and Analysis – Executive Deferred Share Unit Plan” and “Compensation of Directors – Directors’ Shareholding Requirements” above for a description of the material features of the EDSU Plan and DSU Plan, respectively.

### INFORMATION ON THE AUDIT COMMITTEE

The Audit Committee of the Board of Directors is comprised of Alain Benedetti (Chair), Michelle Cormier and Rupert Duchesne, each of whom is an “independent” director within the meaning of National Instrument 52-110 *Audit Committees*. Reference is made to the section entitled “Information on Audit Committee” of the Company’s Annual Information Form for the fiscal year ended December 30, 2017 for required disclosure relating to the Audit Committee. The Annual Information Form is available under the Company’s profile on SEDAR at [www.sedar.com](http://www.sedar.com) and a copy may be obtained upon request from the Company at 1255 Greene Ave, Suite 300, Westmount, Québec H3Z 2A4; telephone (514) 934-3034; fax (514) 934-9379; e-mail: [info@dorel.com](mailto:info@dorel.com).

### INDEBTEDNESS OF DIRECTORS AND OFFICERS

No person who is, or who was at any time during the fiscal year ended December 30, 2017, a director, executive officer or senior officer of the Company or a subsidiary thereof, and no person who is a nominee for election as a director of the Company, and no associate of such persons, is, or was at any time since the beginning of the fiscal year ended December 30, 2017, indebted to the Company or a subsidiary of the Company, nor has any such person been indebted at any time since the beginning of the fiscal year ended December 30, 2017 to any other entity where such indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or a subsidiary of the Company.

### CORPORATE GOVERNANCE

The Board of Directors of the Company is committed to maintaining high standards of corporate governance. The Board of Directors has instituted and maintains the following policies:

- holding regular meetings of the independent directors without the presence of management or non-independent directors;
- ensuring that the Company’s Lead Director is independent of management;

- all members of the Audit Committee, HRCC and CGNC are independent;
- a formal disclosure policy exists for all employees, including access to confidential information with respect to the Company, ensuring timely and accurate disclosure;
- a policy on financial reporting adhered to by applicable personnel;
- policies on “whistle-blowing” and “incident reporting” are to be followed throughout the Company;
- a policy on consulting services administered by the Audit Committee, including the exclusion of specific non-audit services that cannot be provided by the Company’s external auditors;
- compliance with trading restrictions and blackout periods with respect to trading in the Company’s shares is required for all employees and directors;
- a formal Code of Business Conduct that establishes a high standard for ethical behaviour among management, employees and directors is to be signed each year;
- matters requiring prior approval from the Board of Directors of the Company;
- ensuring that the Company’s Stock Option Plan restricts the number of options outstanding at any time to less than 10% of the number of issued and outstanding shares of the Company; and
- restricting options held by any one “insider” to less than 5% of the issued and outstanding shares of the Company.

### ***Corporate Governance Guidelines***

National Policy 58-201 *Corporate Governance Guidelines* and National Instrument 58-101 *Disclosure of Corporate Governance Practices* set out a series of guidelines for effective corporate governance. The guidelines address matters such as the composition and independence of corporate boards, the functions to be performed by boards and their committees, and the effectiveness and education of board members. Each reporting issuer, such as the Company, must disclose on an annual basis and in prescribed form, the corporate governance practices that it has adopted.

A complete description of the Company’s approach to corporate governance, with a specific reference to each guideline, is set out in the “Statement of Corporate Governance Practices” annexed as Schedule A to this Circular. This disclosure statement has been approved by the CGNC and the Board of Directors.

### **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

No “informed person” of the Company, that is: (a) the directors and executive officers of the Company; (b) any person who beneficially owns, or exercises control or direction over, directly or indirectly, more than 10% of the Company’s outstanding voting shares; or (c) any director or executive officer of a person referred to in (a) above, or any proposed director or associate or affiliate of any “informed person” or proposed director of the Company, has any material interest, direct or indirect, in any transaction since December 31, 2016 or in any proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries.

### **SHAREHOLDER PROPOSALS**

The *Business Corporations Act* (Québec) provides, in effect, that a registered holder or beneficial owner of shares that is entitled to vote at an annual meeting of the Company may submit to the Company notice of any matter that the person proposes to raise at the meeting (referred to as a “**Proposal**”) and discuss at the meeting any matter in respect of which the person would have been entitled to submit a Proposal. The *Business Corporations Act* (Québec) further provides, in effect, that the Company must set out the Proposal in its management proxy circular along with, if so requested by the person who makes the Proposal, a statement in support of the Proposal by such person. However, the Company will not be required to set out the Proposal in its management proxy circular or include a supporting statement if, among other things, the Proposal is not submitted to the Company at least 90 days before the anniversary date of the notice of meeting that was sent to the shareholders in connection with the previous annual meeting of shareholders of the Company. As the notice in connection

with the Meeting is dated April 9, 2018, the deadline for submitting a proposal to the Company in connection with the next annual meeting of shareholders is January 9, 2019.

The foregoing is a summary only; shareholders should carefully review the provisions of the *Business Corporations Act* (Québec) relating to Proposals and consult with a legal advisor.

#### **INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON**

The Company is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of (i) any person who has been a director or executive officer of the Company at any time since the beginning of the Company's last financial year, (ii) any nominee for election as director of the Company, or (iii) any associate or affiliate of the persons listed in (i) and (ii), in any matter to be acted upon at the Meeting.

#### **OTHER MATTERS**

Management of the Company knows of no other matter to come before the Meeting other than those referred to in the Notice of Meeting. However, if any other matters that are not known to management should properly come before the Meeting, the accompanying form of proxy confers discretionary authority upon the persons named therein to vote on such matters in accordance with their best judgment.

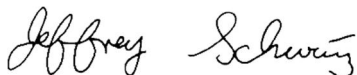
#### **ADDITIONAL INFORMATION**

Financial information regarding the Company is provided in the Company's comparative consolidated financial statements and Management's Discussion and Analysis for the fiscal year ended December 30, 2017 and additional information relating to the Company is available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com). Copies of the annual comparative consolidated financial statements, Management's Discussion and Analysis and this Circular may be obtained upon request from the Company at 1255 Greene Ave., Suite 300, Westmount, Québec H3Z 2A4; telephone (514) 934-3034; fax (514) 934-9379; e-mail: [info@dorel.com](mailto:info@dorel.com).

Corporate information is also available on the Company's website: [www.dorel.com](http://www.dorel.com).

#### **DIRECTORS' APPROVAL**

The Board of Directors of the Company has approved the contents and the mailing of this Circular.



Jeffrey Schwartz  
Executive Vice-President, Chief Financial Officer and Secretary

DATED at Montréal, Québec  
April 9, 2018

**SCHEDULE A**  
**STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

**1. Board of Directors**

The Board of Directors considers that Alain Benedetti, Dian Cohen, Michelle Cormier, Rupert Duchesne and Maurice Tousson are independent within the meaning of National Instrument 52-110 *Audit Committees*.

The Board of Directors considers that Martin Schwartz, Alan Schwartz, Jeff Segel and Jeffrey Schwartz are not independent within the meaning of National Instrument 52-110 *Audit Committees* in that each is an executive officer of the Company.

The Board of Directors considers that five of the nine current directors are independent within the meaning of National Instrument 52-110 *Audit Committees*. Accordingly, a majority of the Board of Directors is independent.

In addition, all three members of the Audit Committee are independent directors. The members of the Audit Committee are Alain Benedetti (Chair), Michelle Cormier and Rupert Duchesne.

If all persons nominated for election as directors at the Meeting are elected, the Board of Directors considers that five of the nine directors will be independent within the meaning of National Instrument 52-110 *Audit Committees*.

The following directors are currently director(s), trustee(s) or governor(s) of other issuers that are reporting issuers (or the equivalent) in a jurisdiction of Canada or a foreign jurisdiction:

Name of Director	Issuer
Alain Benedetti	Russel Metals Inc.
Michelle Cormier	Uni-Sélect Inc. Cascades Inc. Champion Iron Limited
Rupert Duchesne	Mattamy Homes Limited
Jeffrey Schwartz	Tucows Inc.
Maurice Tousson	DAVIDsTEA Inc.

Martin Schwartz, President and Chief Executive Officer of the Company, chairs meetings of the Board of Directors. Mr. Schwartz is not an independent director. As a result, the Board of Directors has appointed Maurice Tousson, an independent director, as “Lead Director”. As Lead Director, Mr. Tousson provides leadership in ensuring Board effectiveness and is responsible for facilitating and encouraging open and effective communication between the management of the Company and the Board of Directors, consulting with the President and Chief Executive Officer in setting the agenda for Board meetings, ensuring Board committees function appropriately, chairing meetings of the independent members of the Board of Directors and chairing Board of Directors’ meetings if the President and Chief Executive Officer is absent.

At each meeting of the Board of Directors, the independent directors hold a meeting at which the non-independent directors and members of management are not in attendance. During the fiscal year ended December 30, 2017, the independent directors held nine such meetings. Maurice Tousson, the Lead Director, chairs meetings of the independent directors.

Since meetings of the Board of Directors are chaired by the President and Chief Executive Officer of the Company, the Board of Directors has given the CGNC (chaired by Dian Cohen, an independent director) the responsibility for ensuring that the Board of Directors functions independently of management.



During the fiscal year ended December 30, 2017, the Board of Directors held nine meetings, the Audit Committee held four meetings, the HRCC held five meetings and the CGNC held four meetings. The Company does not have an Executive Committee. Attendance of directors at the meetings is set out in the table below.

	<b>Board Meetings</b>	<b>Audit Committee Meetings</b>	<b>HRCC Meetings</b>	<b>CGNC Meetings</b>	<b>Total</b>
Martin Schwartz <sup>(1)</sup>	9 / 9	—	—	—	9 / 9
Jeff Segel <sup>(1)</sup>	9 / 9	—	—	—	9 / 9
Alan Schwartz <sup>(1)</sup>	9 / 9	—	—	—	9 / 9
Jeffrey Schwartz <sup>(1)</sup>	9 / 9	—	—	—	9 / 9
Alain Benedetti	8 / 9	4 / 4	5 / 5	—	17 / 18
Dian Cohen <sup>(2)</sup>	9 / 9	—	3 / 3	4 / 4	16 / 16
Michelle Cormier	8 / 9	4 / 4	—	4 / 4	16 / 17
Rupert Duchesne <sup>(2)</sup>	6 / 9	2 / 4	1 / 2	2 / 4	11 / 19
Maurice Tousson <sup>(3)</sup>	9 / 9	—	5 / 5	2 / 2	16 / 16

(1) Did not serve on any committees of the Board of Directors during the fiscal year ended December 30, 2017. Martin Schwartz and Jeffrey Schwartz are members of the Company's Disclosure Committee.

(2) Effective May 25, 2017 Ms. Cohen replaced Mr. Duchesne on the HRCC.

(3) Effective May 25, 2017, Mr. Tousson is no longer a member of the CGNC.

## 2. Board Mandate

The Board of Directors does not currently have a written mandate. The primary role and responsibility of the Board of Directors is to supervise the management of the business and affairs of the Company and to act in the best interests of the Company. In fulfilling its mandate, the Board of Directors' responsibilities include the following:

- (i) approving quarterly financial statements, the declaration of dividends, material press releases, annual reports, annual financial statements, annual information forms and management proxy circulars;
- (ii) appointing senior officers;
- (iii) appointing members to the Audit Committee, HRCC, CGNC, Disclosure Committee and, if applicable, other committees of the Board of Directors and determining their respective mandates;
- (iv) discussing and analyzing opportunities as they present themselves to the Company;
- (v) reviewing and authorizing material transactions; and
- (vi) approving transactions subject to the Board Approval Policy. The following are certain matters which require approval of the Board of Directors under the Board Approval Policy:
  - the Company's corporate status;
  - capital debt financing;
  - issuance or repurchase of the Company's securities;
  - dividends and other distributions;
  - investments;
  - material acquisitions and divestitures; and
  - any other transactions which would materially affect the financial position of the Company.

### **3. Position Description**

Although Martin Schwartz, President and Chief Executive Officer of the Company, chairs meetings of the Board of Directors, the Company does not have a chairman of the Board of Directors. Rather, it has appointed a Lead Director as described above. The Board of Directors has not developed written position descriptions for the Lead Director or for the chairs of the committees of the Board of Directors.

The primary role and responsibility of the Lead Director is to provide leadership in ensuring Board effectiveness; the Lead Director is responsible for facilitating and encouraging open and effective communication between management of the Company and the Board of Directors, consulting with the President and Chief Executive Officer in setting the agenda for Board meetings, ensuring Board committees function appropriately, chairing meetings of the independent members of the Board of Directors and chairing Board of Directors' meetings if the President and Chief Executive Officer is absent.

The primary role and responsibility of the chair of each committee of the Board of Directors is to: (i) in general, ensure that the committee fulfills its mandate, as determined by the Board of Directors; (ii) chair meetings of the committee; (iii) report thereon to the Board of Directors; and (iv) act as liaison between the committee and the Board of Directors and, if necessary, management of the Company.

The Board of Directors and the President and Chief Executive Officer have not developed a written position description for the President and Chief Executive Officer. The primary role and responsibility of the President and Chief Executive Officer is to direct, supervise, coordinate and assume overall management responsibility for all areas of the Company's business. In particular, the President and Chief Executive Officer is responsible for: (i) developing the strategic direction for the business and evaluating alternative market strategies; (ii) identifying competitive issues; (iii) capitalizing on the core strengths of the Company; (iv) developing and implementing operating plans to achieve the Company's objectives; (v) motivating, measuring, coaching and mentoring the management staff and employee base to ensure optimum operating performance; (vi) working closely with the Board of Directors to keep it informed, thus enabling it to render effective counsel to the Company; and (vii) representing the Company, as appropriate, in its relationships with major customers, suppliers, the banking and financial community, and the public to promote a positive image in the industry and to promote business growth and success.

### **4. Orientation and Continuing Education**

The Company provides an orientation program for new directors in the form of a documented orientation package, including committee charters, Company policies, related-party transaction confirmation, etc., and informal meetings with members of senior management, complemented by presentations on the main areas of the Company's business.

On an ongoing basis, directors receive updates on developments in the industry, economic developments in the geographical areas in which the Company is active and communications from the President and Chief Executive Officer to employees. In addition, the directors participate in the Company's annual two-day strategic planning session with executives from around the world to review and discuss market trends, challenges and opportunities. The directors are experienced members, including several who are directors of other reporting issuers. The Board of Directors relies on professional assistance when judged necessary in order to be educated or updated on a particular topic.

### **5. Ethical Business Conduct**

The Company has adopted a Code of Ethics, referred to as the *Code of Business Conduct* (the "**Code**"), which is available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website. A copy of the Code can also be obtained by contacting the Secretary of the Company.

The Board of Directors, through its Audit Committee, has the responsibility for periodically reviewing the Code; it monitors adherence thereto in part by an annual signed acknowledgment from virtually all employees, officers and directors of the Company. In 2017, the Company renewed the Code, which was reviewed and approved by the Board of Directors prior to distribution to the Company's employees, officers and directors. The Company did not file any material change reports since the beginning of its most recently-completed financial year that pertain to any conduct of a director or executive officer that constitutes a departure from the Code.

The Board of Directors ensures independent judgment through the enforcement of the Code, which contains the following excerpt detailing the Company's policy on conflicts of interest:

*"It is essential to remain free of, or disclose, commitments and relationships that involve, or could involve actual, perceived or eventual conflicts of interest with the Company.*

*A conflict of interest can exist when one has a direct or indirect personal interest in a decision being made where that decision should be made objectively, free from bias and in the best interests of the Company. It is important that even the appearance of a conflict of interest be avoided.*

*Loans to you or guarantees of your obligations and your family members by the Company may create conflicts of interest and in certain instances are prohibited by law.*

*It is a conflict of interest for you to work for a competitor, customer or supplier. You should avoid any direct or indirect interest with the Company's customers, suppliers, contractors or competitors except as required on the Company's behalf.*

*Anything that could present a conflict of interest could also present a conflict of interest if it is passed on to a family member or a third party who is receiving benefits for you.*

*Common sense and good judgment must be exercised to avoid any perception of impropriety or conflict of interest.*

*If you believe that you may be affected by a conflict of interest, you must immediately disclose all relevant details to your supervisor who will then notify your President and/or Chief Financial Officer (or equivalents) in their role as certification officers for your division."*

If such a potential transaction or agreement arises, any member of the Board of Directors who has a material interest therein does not participate during that part of the meeting of the Board of Directors at which the potential transaction or agreement is considered.

Additionally, on a quarterly basis, each director confirms in writing whether or not there exists a related-party transaction or relationship between the director and another party. Should such a transaction or relationship exist, it is reviewed by the Board of Directors to ensure it does not have any ramifications that could be considered as creating a conflict of interest.

Additionally, the Board of Directors has adopted the following policies, all of which provide for direct contact with specific members of the Board of Directors:

- Policy on Incident Reporting;
- Policy on Whistle Blowing; and
- Policy on Financial Reporting.

The Board of Directors will continue to monitor the Code and the foregoing policies on an annual basis and revise them as necessary should the environment require such a change. Additionally, the Code stipulates the expectation that all consultants and suppliers of the Company comply therewith. As such, the Company has issued a *Policy on Supplier's Code of Conduct*, which specifies that the Company's suppliers must have the willingness and ability to conduct their business in conformity with all applicable legal requirements and ethical standards.

## **6. Nomination of Directors**

In 2015, the Board of Directors constituted the CGNC. The CGNC is responsible for reviewing the qualifications of nominees for election or re-election as members of the Board of Directors, and monitoring the size, composition and profile of the Board of Directors, Audit Committee, HRCC and CGNC to ensure that they provide the best mix of skills and experience to guide the long-term strategy and ongoing business operations of the Company.

The CGNC is also responsible for reviewing and proposing to the Board of Directors criteria for selecting new directors to be recruited. Criteria may include, but are not limited to, age, gender, geographical representation, disciplines, and other factors that the CGNC considers appropriate.

The CGNC recommends to the Board of Directors suitable candidates for election to the Board of Directors by the shareholders. The CGNC members' networks or a third-party recruiter may be used to find the suitable candidate(s).

As a result of the most recent assessment of the performance of the Board of Directors by its members, and taking into account the number of directors standing for re-election at the Meeting, the CGNC and the Board of Directors are of the view that the size, composition and profile of the Board of Directors are well suited to the Company's current circumstances and needs, allow for efficient functioning of the Board of Directors as a decision-making body, and promote sound corporate governance.

The CGNC is composed entirely of independent directors. The members of the CGNC are Dian Cohen (Chair), Michelle Cormier and Rupert Duchesne.

The CGNC is responsible for making recommendations to the Board of Directors on all matters relating to the composition of the Board of Directors.

## **7. Compensation**

The CGNC reviews the compensation of the Company's directors annually and is mandated to review and recommend to the Board of Directors for approval the remuneration of directors. The CGNC considers time commitment, comparative fees and responsibilities in determining remuneration.

The HRCC is composed entirely of independent directors. The members of the HRCC are Maurice Tousson (Chair), Alain Benedetti and Dian Cohen.

The HRCC assumes responsibility for making recommendations to the Board of Directors on all matters relating to the compensation of certain employees of the Company.

The Board of Directors has adopted a share ownership policy under which certain executives are expected to own and maintain ownership of a minimum value of Class B Subordinate Voting Shares and/or DSUs under the EDSU Plan, and attain share ownership value within five years (or such later date as may be determined at the discretion of the Board of Directors) from the effective date of becoming a participant. Under the EDSU Plan, the share ownership requirements began in 2010. The value of the required holding in Class B Subordinate Voting Shares and/or DSUs under the EDSU Plan represents a multiple of annual salary which is a function of the position held. In 2015, the HRCC retained the services of Mercer, an external compensation consultant, to provide advice on share ownership guidelines for senior management of the Company.

In 2017, the HRCC retained the services of Meridian to provide short-term and long-term compensation advice for various positions in the Company for which new compensation plans were implemented in 2017.

In 2016, the HRCC retained the services of Meridian to assist it in redefining a peer group for the benchmarking analysis and benchmarking the compensation of the Company's President and Chief Executive Officer, three Executive Vice-Presidents and Senior Vice-President, Finance.

In 2015, the HRCC did not retain a consultant to assist it in benchmarking the compensation of the Company's President and Chief Executive Officer, three Executive Vice-Presidents and Senior Vice-President, Finance.

In 2014, the Company retained the services of Mercer, an external compensation consultant, to provide short-term and long-term compensation advice for various positions in the Company for which new compensation plans were implemented in 2014.

The HRCC considered that the executive compensation advice provided by Meridian and Mercer is relevant and reliable and was therefore used in the current year.

## **8. Other Board Committees**

Other than the Audit Committee, HRCC and CGNC, the Board of Directors has a Disclosure Committee that ensures that all disclosure made by the Company to its security holders or the investment community is accurate and complete and fairly presents the Company's financial condition and results of operations in all material respects, and is made on a timely basis as required by applicable laws, regulations and stock exchange requirements. The members of the Disclosure Committee are Martin Schwartz, Director, President and Chief Executive Officer; Jeffrey Schwartz, Director, Executive Vice-President and Chief Financial Officer; Frank Rana, Senior Vice-President, Finance; Manon Desrosiers, CPA, CA, Vice-President Corporate Accounting; and John Paikopoulos, CPA, CA, Corporate Controller. The Disclosure Committee was established in August 2007.

## **9. Assessments**

The CGNC is responsible for preparing and reviewing with the Board of Directors an annual performance evaluation of directors, the Audit Committee, HRCC and CGNC, and comparing performance with requirements of the respective charters of the committees.

As part of this process, a Board of Directors' effectiveness survey and a director self-evaluation form, which cover a wide range of topics, are distributed to each director. The results of the survey and self-evaluation form are compiled on a confidential basis by the Chair of the CGNC to encourage full and frank commentary and are discussed at the next regular meeting of the CGNC. The Chair of the CGNC also presents the results of the survey and self-evaluation that are relevant to another Board committee to the Chair of that committee. Thereafter, the Chair of the CGNC reviews the results of the survey and the self-evaluation with the Board members.

The most recent annual evaluation showed that the Board of Directors and its committees, Chairs of the Board committees and individual directors were effectively fulfilling their respective responsibilities.

## **10. Director Term Limits and Other Mechanisms of Board Renewal**

The Company has not adopted term limits for its directors or other mechanisms of Board of Directors renewal. The Company is aware of the positive impact of bringing new perspectives to the Board of Directors, and therefore adds new members from time-to-time; however, it values continuity on the Board of Directors and the in-depth knowledge of the Company held by those members who have a long-standing relationship with the Company. This topic is assessed and discussed annually by the CGNC when evaluating the Company's corporate governance practices compared to best practices.

## **11. Policies Regarding the Representation of Women on the Board**

The Company has not adopted a written policy relating to the identification and nomination of women directors. Despite not having a formal policy, diversity, including gender, is an important component of the selection process for new members of the Board of Directors. The Board of Directors considers the presence of men and women on the Board as an added value.

## **12. Consideration of the Representation of Women in the Director Identification and Selection Process**

Representation of women on the Board of Directors is one of the factors taken into consideration by the CGNC in the selection process for new members of the Board of Directors. This consideration is assessed annually by the CGNC when evaluating the Company's corporate governance practices compared to best practices. The CGNC has emphasized recruiting women in recent years in the mandates it has given to search firms and by identifying candidates who are women in its selection process. In 2017, two of the Board members were women, representing 40% of the independent directors and 22% of the total number of directors.

**13. Consideration Given to the Representation of Women in Executive Officer Appointments**

The Company gives consideration to gender diversity in its executive-officer appointment process. The Company considers the presence of men and women on its executive team as an added value. At present, none of the Company's executive officers, as defined in National Instrument 58-101 *Disclosure of Corporate Governance Practices*, are women.

**14. Targets Regarding the Representation of Women on the Board and in Executive Officer Positions**

The Company has not adopted a "target" regarding women on the Board of Directors or in executive officer positions. The term "target" is defined in National Instrument 58-101 *Disclosure of Corporate Governance Practices* as, in effect, a number or percentage, or a range of numbers or percentages, adopted by the Company of women on the Board of Directors or in executive officer positions of the Company by a specific date. Although the Company has not adopted a target for the number of women on the Board of Directors or in executive officer positions, it has always supported and continues to pursue its efforts to promote female representation, as evidenced by the percentage set out in section 12 above. In its work related to the composition of the Board of Directors, representation of women on the Board of Directors is one of the factors taken into consideration by the CGNC.

**15. Number of Women on the Board and in Executive Officer Positions**

Of the nine members of the Board of Directors of the Company, two (22%) are women.

Of the nine executive officers of the Company, as defined in National Instrument 58-101 *Disclosure of Corporate Governance Practices*, none are women.