

# Annual Information Form

# 2020

/ JUNE 4, 2020

*Saputo*

## TABLE OF CONTENTS

	<u>Page</u>
<b>CAUTION REGARDING FORWARD-LOOKING STATEMENTS .....</b>	<b>4</b>
<b>ITEM 1 – THE COMPANY .....</b>	<b>6</b>
1.1 INCORPORATION .....	6
1.2 CORPORATE STRUCTURE .....	7
<b>ITEM 2 – GENERAL DEVELOPMENT OF THE BUSINESS .....</b>	<b>8</b>
2.1 OVERVIEW.....	8
2.2 HISTORY (INCLUDING ACQUISITIONS).....	8
<b>ITEM 3 – INDUSTRY OVERVIEW .....</b>	<b>11</b>
3.1 REGULATORY ENVIRONMENT .....	11
3.2 MILK SUPPLY .....	11
3.3 MARKETS.....	12
3.4 INTERNATIONAL TRADE.....	12
3.4.1 Imports .....	12
3.4.2 Comprehensive Economic Trade Agreement .....	12
3.4.3 Comprehensive and Progressive Agreement for Trans-Pacific Partnership .....	12
3.4.4 Canada-United States-Mexico Agreement.....	13
3.4.5 Comprehensive Review Of Canada’s Import Licences (Tariff Rate Quotas) for Dairy Products .....	13
3.4.6 Exports.....	13
3.5 PROCESSING AND TRADE .....	14
<b>ITEM 4 – DESCRIPTION OF THE BUSINESS .....</b>	<b>15</b>
4.1 OVERVIEW.....	15
4.2 CANADA SECTOR.....	16
4.2.1 Products .....	16
4.2.2 Production.....	17
4.2.3 Markets .....	17
4.2.4 Distribution .....	18
4.2.5 Competition .....	18
4.2.6 Employee Relations .....	18
4.3 USA SECTOR .....	19
4.3.1 Products .....	19
4.3.2 Production.....	19
4.3.3 Markets .....	19
4.3.4 Distribution .....	20
4.3.5 Competition .....	20
4.3.6 Employee Relations .....	20
4.4 INTERNATIONAL SECTOR .....	21
4.4.1 Products .....	21
4.4.2 Production.....	21
4.4.3 Markets .....	21
4.4.4 Distribution .....	22
4.4.5 Competition .....	22
4.4.6 Employee Relations .....	22

4.5	EUROPE SECTOR .....	23
4.5.1	Products .....	23
4.5.2	Production.....	23
4.5.3	Markets .....	23
4.5.4	Distribution .....	24
4.5.5	Competition .....	24
4.5.6	Employee Relations .....	24
4.6	CAPITAL EXPENDITURES .....	24
4.7	CORPORATE RESPONSIBILITY .....	26
4.7.1	Governance .....	26
4.7.2	Food Quality and Safety.....	26
4.7.3	Diversity and Inclusion .....	27
4.7.4	Working Conditions .....	28
4.7.5	Health and Safety.....	28
4.7.6	Animal Welfare and Supplier Code of Conduct .....	28
4.7.7	Environment .....	29
4.7.8	Nutrition and Healthy Living .....	30
4.8	INTELLECTUAL PROPERTY .....	31
4.9	RISKS AND UNCERTAINTIES .....	31
	<b>ITEM 5 – DIVIDEND POLICY .....</b>	<b>31</b>
5.1	DIVIDEND POLICY .....	31
5.2	DIVIDEND REINVESTMENT PLAN.....	32
	<b>ITEM 6 – CAPITAL STRUCTURE AND MARKET FOR SECURITIES .....</b>	<b>32</b>
6.1	SHARE CAPITAL .....	32
6.1.1	Share Capital Description .....	32
6.1.2	Share Trading Price and Volume.....	33
6.2	MEDIUM TERM NOTES .....	33
6.3	CREDIT RATINGS.....	34
	<b>ITEM 7 – DIRECTORS AND OFFICERS.....</b>	<b>37</b>
7.1	DIRECTORS.....	37
7.2	EXECUTIVE OFFICERS .....	38
	<b>ITEM 8 – LEGAL PROCEEDINGS .....</b>	<b>39</b>
	<b>ITEM 9 – INTEREST OF MANAGEMENT AND OTHERS IN TRANSACTIONS.....</b>	<b>39</b>
	<b>ITEM 10 – EXPERTS.....</b>	<b>39</b>
	<b>ITEM 11 – TRANSFER AGENT AND REGISTRAR.....</b>	<b>39</b>
	<b>ITEM 12 – MATERIAL CONTRACTS.....</b>	<b>39</b>
	<b>ITEM 13 – AUDIT COMMITTEE INFORMATION.....</b>	<b>40</b>
13.1	AUDIT COMMITTEE’S MANDATE .....	40
13.2	COMPOSITION AND RELEVANT EDUCATION AND EXPERIENCE.....	40
13.3	POLICIES AND PROCEDURES REGARDING THE SERVICES RENDERED BY THE EXTERNAL AUDITORS	41
13.4	EXTERNAL AUDITORS’ FEES (BY CATEGORY).....	41
	<b>ITEM 14 – ADDITIONAL INFORMATION .....</b>	<b>42</b>
	<b>APPENDIX “A” .....</b>	<b>43</b>

## CAUTION REGARDING FORWARD-LOOKING STATEMENTS

---

This Annual Information Form contains statements which are forward-looking statements within the meaning of applicable securities laws. These forward-looking statements include, among others, statements with respect to the Company's objectives, outlook, business projects, strategies, beliefs, plans, expectations, targets, commitments and goals, including the Company's ability to achieve these targets, commitments and goals, and statements other than historical facts. The words "may", "could", "should", "will", "would", "believe", "plan", "expect", "intend", "anticipate", "estimate", "foresee", "objective", "continue", "propose", "aim", "commit", "assume", "forecast", "seek", "project", "potential" or "target", or the negative of these terms or variations of them, the use of conditional or future tense or words and expressions of similar nature, are intended to identify forward-looking statements. All statements other than statements of historical facts included in this Annual Information Form may constitute forward-looking statements within the meaning of applicable securities laws.

These statements are based, among other things, on Saputo's assumptions, expectations, estimates, objectives, plans, business strategy and intentions as of the date hereof, as well as other factors it believes are appropriate under these circumstances, regarding the projected revenues and expenses, the economic, industry, competitive and regulatory environments in which the Company operates or which could affect its activities, its ability to attract and retain customers and consumers, its environmental performance, its sustainability efforts, the effectiveness of its environmental and sustainability initiatives, the availability and cost of milk and other raw materials and energy supplies, its operating costs, the pricing of its finished products on the various markets in which it carries on business, and the effects of the COVID-19 pandemic. Such forward-looking statements are intended to provide shareholders with information regarding the Company, including its assessment of future financial plans, and may not be appropriate for other purposes.

By their nature, forward-looking statements are subject to a number of inherent risks and uncertainties. Actual results could differ materially from those stated, implied or projected in such forward-looking statements. As a result, the Company cannot guarantee that any forward-looking statements will materialize, and the Company warns readers that these forward-looking statements are not fact or guarantees of future performance in any way. Assumptions, expectations and estimates made in the preparation of forward-looking statements and risks and uncertainties that could cause actual results to differ materially from current expectations are discussed in the Company's materials filed with the Canadian securities regulatory authorities from time to time, including the "Risks and Uncertainties" section of the Management's Discussion and Analysis dated June 4, 2020, available on SEDAR under the Company's profile at [www.sedar.com](http://www.sedar.com).

Such risks and uncertainties include the following: product liability; the COVID-19 pandemic; the availability of raw materials (including as a result of climate change or extreme weather) and related price variations, along with the ability for the Company to transfer those increases, if any, to its customers in competitive market conditions; the price fluctuation of its products in the countries in which it operates, as well as in international markets, which are based on supply and demand levels for dairy products; the increased competitive environment in the dairy industry; consolidation of clientele; supplier concentration; unanticipated business disruption; the economic environment; changes in environmental laws and regulations; cyber threats and other information technology-related risks relating to business disruptions, confidentiality, and data integrity; the Company's ability to identify, attract and retain qualified individuals; the failure to adequately integrate acquired businesses in a timely and efficient manner; changes in consumer trends. The Company's ability to

achieve its environmental targets, commitments and goals is further subject to, among others, the Company's ability to access and implement all technology necessary to achieve its targets, commitments and goals, as well as the development and performance of technology and technological innovations and the future use and development of technology and associated expected future results, and environmental regulation.

Forward-looking statements are based on Management's current estimates, expectations and assumptions, which Management believes are reasonable as of the date hereof, and are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events, including the duration and severity of the COVID-19 pandemic, and are accordingly subject to changes after such date. Undue importance should not be placed on forward-looking statements, and the information contained in such forward-looking statements should not be relied upon as of any other date.

All forward-looking statements included herein speak only as of the date hereof or as of the specific date of such forward-looking statements. Except as required under applicable securities legislation, Saputo does not undertake to update or revise forward-looking statements, whether written or verbal, that may be made from time to time by itself or on its behalf, whether as a result of new information, future events or otherwise. All forward-looking statements contained herein are expressly qualified by this cautionary statement.

## ITEM 1 – THE COMPANY

### 1.1 INCORPORATION

---

Saputo Inc. was constituted by a Certificate of Amalgamation issued pursuant to the provisions of the *Canada Business Corporations Act* on July 1, 1992, which was amended on August 25, 1997, in order to, among other things, change the provisions attached to its authorized share capital. The Certificate was further amended on August 3, 2000, to, among other things, enable the directors to appoint additional directors between shareholders' meetings and on August 1, 2017, to delete the preferred shares from the share capital of the Company. The head and registered office and principal place of business of the Company is located at 6869 Métropolitain Boulevard East, Montréal, Québec, H1P 1X8.

In this Annual Information Form, unless the context otherwise requires or indicates, the terms “**Saputo**” and “**Company**” mean Saputo Inc. itself or together with its subsidiaries and/or other entities under its direct or indirect control (collectively the “**Subsidiaries**”) as well as their respective predecessors, or any one or more of them.

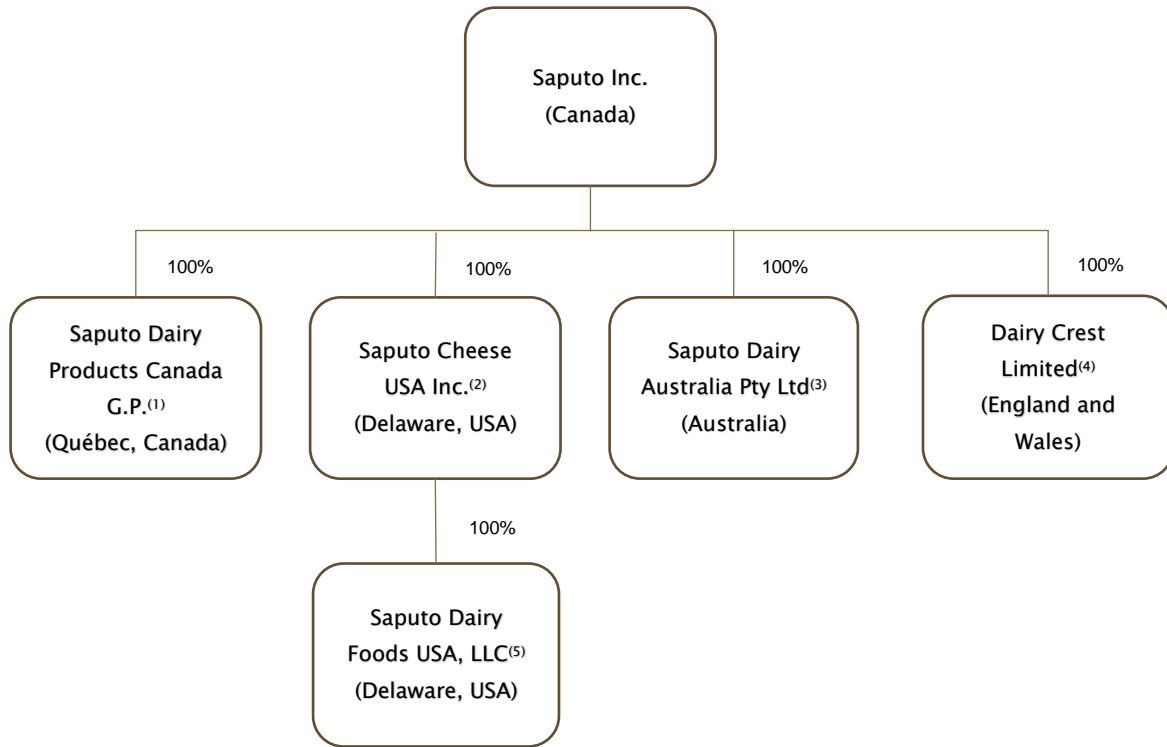
On November 30, 2001, December 21, 2007, and September 29, 2014, Saputo paid a 100% stock dividend on its common shares (the “**Common Shares**”), which, in each case, had the same effect as a two-for-one stock split (the “**Stock Splits**”) and doubled the number of Common Shares outstanding. All references to numbers of Common Shares, prices of Common Shares and dividends paid per Common Share made herein reflect the Stock Splits. Readers should take into consideration the effect of the Stock Splits when consulting the Company's public disclosure record for periods prior to the Stock Splits.

In this Annual Information Form, all references to “\$” or “CDN dollars” are to Canadian currency, all references to “US\$” are to United States currency, all references to “£” are to United Kingdom currency and all references to “AU\$” are to Australian currency. References to fiscal years refer to the 12-month periods ending March 31 of the applicable year.

The information in this Annual Information Form is being presented as of May 26, 2020, except for financial information, which is given for the fiscal year ended March 31, 2020, and information relating to employees, which is presented as at March 31, 2020.

## 1.2 CORPORATE STRUCTURE

The following organizational chart illustrates the corporate structure of Saputo and its material Subsidiaries, and their respective jurisdictions of incorporation. For simplification purposes, this chart omits certain wholly-owned Subsidiaries.



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

## ITEM 2 – GENERAL DEVELOPMENT OF THE BUSINESS

### 2.1 OVERVIEW

---

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

During fiscal 2020, the Company operated its business through four sectors, the Canada Sector, the USA Sector, the International Sector, and the Europe Sector, which represented, respectively, 26.8%, 47.5%, 20.6%, and 5.1% of the Company's total revenues.

The Company currently operates 66 manufacturing facilities and, as at March 31, 2020, employed approximately 17,200 employees and sold its products in more than 50 countries.

### 2.2 HISTORY (INCLUDING ACQUISITIONS)

---

Mr. Emanuele (Lino) Saputo founded the Company with his parents in 1954, producing quality cheese for the Italian community of Montréal.

Between 1970 and 1997, Saputo acquired several production operations and food distributors, and developed its national distribution network, positioning itself in Canada as a leading producer of mozzarella.

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

The following table presents acquisitions completed by Saputo since its initial public offering. These acquisitions, which were in line with the Company's commitment to growth, contributed to making Saputo an important international dairy processor.



Historical Acquisitions Completed by Saputo					
Acquisition Dates	Acquired Companies	Acquired Activities	Countries of Operations	Acquisition Price (Approximation) <sup>(1)</sup>	Annual Revenues (Approximation) <sup>(2)</sup>
October 15, 1997 to March 31, 2015	Various companies (23)	Manufacturing, selling and distribution of dairy products (cheese, fluid milk, dairy beverages, cream products, butter and ingredients), dairy and non-dairy extended shelf life products, juices and drinks and snack-cakes. <sup>(3) (4)</sup>	Canada, USA, Australia and Argentina	\$4.82 billion	\$7.91 billion
May 25, 2015	Everyday cheese business of Lion Dairy & Drinks Pty Ltd	Cutting and wrapping, distribution, sales and marketing of everyday cheese (such as cheddar and parmesan).	Australia	\$134 million	\$156 million
October 5, 2015	Companies forming Woolwich Dairy	Manufacturing, selling and distribution of goat cheese.	Canada and USA	\$80 million	\$70 million
September 29, 2017	Extended shelf-life dairy product activities of Southeast Milk, Inc.	Manufacturing, selling and distribution of extended shelf-life dairy products.	USA	\$64 million	\$59 million
December 12, 2017	Betin, Inc., doing business as Montchevre	Manufacturing, marketing and distribution of goat cheese.	USA	\$341 million	\$150 million
May 1, 2018	Business of Murray Goulburn Co-Operative Co. Limited ("MG") <sup>(5)</sup>	Manufacturing, selling and distribution of dairy foods, including fluid milk, milk powder, cheese, butter and dairy beverages, as well as a range of dairy ingredient and nutritional products, such as infant formula.	Australia	\$1.29 billion	\$2.5 billion

Historical Acquisitions Completed by Saputo					
Acquisition Dates	Acquired Companies	Acquired Activities	Countries of Operations	Acquisition Price (Approximation) <sup>(1)</sup>	Annual Revenues (Approximation) <sup>(2)</sup>
June 19, 2018	Activities of Shepherd Gourmet Dairy (Ontario) Inc.	Manufacturing, marketing and distribution of specialty cheeses, yogurt and Skyr Icelandic-style yogurt.	Canada	\$100 million	\$57 million
November 30, 2018	Activities of F&A Dairy Products, Inc.	Manufacturing, marketing and distribution of natural cheeses (such as mozzarella and provolone).	USA	\$113 million	\$216 million
April 15, 2019	Dairy Crest Group plc	Manufacturing, marketing and distribution of cheese, butter, spreads, dairy ingredients and oils.	United Kingdom	\$1.7 billion	\$796 million
October 28, 2019	Specialty cheese business of Lion Dairy & Drinks Pty Ltd	Manufacturing, marketing and distribution of a variety of specialty cheeses.	Australia	\$250 million	\$171 million

- (1) Canadian dollar equivalent of the acquisition price, taking into account the exchange rate on the date of completion of the acquisition.
- (2) Canadian dollar equivalent of the annual revenues for the last completed fiscal year prior to completion of the acquisition, taking into account the exchange rate on the date of completion of the acquisition.
- (3) The Company sold its Bakery Division, which manufactured, sold and distributed snack-cakes, in fiscal 2015.
- (4) In 2014, the Company acquired 87.92% of the issued shares of Warrnambool Cheese & Butter Factory Company Holdings Limited ("**Warrnambool Cheese & Butter**") for \$450 million, plus the assumption of debt. Following a takeover bid announced on January 30, 2017, and subsequent to a compulsory acquisition process, the Company acquired all remaining shares of Warrnambool Cheese & Butter on March 31, 2017, for approximately \$84 million.
- (5) On August 17, 2018, the Company completed the sale of the Koroit plant for a selling price of approximately \$244 million (approximately A\$250 million). This divestiture was required pursuant to the undertaking entered into with the Australian Competition and Consumer Commission in connection with the acquisition of the activities of MG.

## ITEM 3 – INDUSTRY OVERVIEW

### 3.1 REGULATORY ENVIRONMENT

---

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

### 3.2 MILK SUPPLY

---

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

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

In the USA, milk pricing involves a wide variety of regulations based on public policy decisions. Some of these regulations include federal milk marketing orders, import restrictions, domestic and international food aid programs and state-level milk marketing programs. Generally, milk pricing is regulated by milk marketing orders under federal jurisdiction.

In most cases, milk marketed to processors within the USA is priced according to its use based on a class pricing structure. Under federal jurisdiction, minimum milk prices are set monthly by milk marketing orders based on product price formulas. Price data used in the federal formulas takes into account the wholesale prices of cheese, butter, dry whey and non-fat dry milk. This data is collected through surveys conducted by the Agricultural Marketing Service of the United States Department of Agriculture.

USA dairy processing plants are not limited in terms of the quantity of milk they can receive and are free to negotiate their milk supply with whomever they choose. Independent processors usually negotiate with local cooperatives or they may procure milk directly from individual farms. Processors

are charged a price that reflects the current month's milk class price plus a negotiated handling charge.

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

### **3.3 MARKETS**

---

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

### **3.4 INTERNATIONAL TRADE**

---

#### **3.4.1 IMPORTS**

Under the World Trade Organization (WTO) Agreement on Agriculture, Canada and the USA are restricted regarding imports of dairy products. Imports within yearly access commitments are subject to low tariff rates, while imports over yearly access commitments are subject to prohibitively high tariff rates. In Canada, Global Affairs Canada administers a system of tariff rate quotas (TRQs) for imports of supply managed products subject to low tariff rates.

Australia, Argentina and the United Kingdom are not subject to similar import restrictions on foreign manufactured dairy products, although dairy products may be subject to import duties, import quota controls or tariffs in these countries depending on the type of product and on the reciprocal trade agreements that may be in place.

#### **3.4.2 COMPREHENSIVE ECONOMIC TRADE AGREEMENT**

In October 2016, the Canadian Government signed the final text of the Comprehensive Economic Trade Agreement (CETA) with the European Union (EU), which subsequently entered into force on September 21, 2017. Under CETA, access for EU cheeses imported into Canada will increase from approximately 13,500 tonnes previously available under the WTO Agreement on Agriculture, to a total of 32,000 tonnes by 2022. In 2020, approximately 26,000 tonnes of EU cheeses are allowed for import in Canada at low tariff rates and allocated under the TRQ system.

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

On March 8, 2018, Canada, Australia, and nine other countries, signed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). The CPTPP entered into force on December 30, 2018, for Canada, Australia, Japan, Mexico, New Zealand, and Singapore. On January 14, 2019, the CPTPP entered into force for Vietnam. The CPTPP grants new access to the Canadian

market for a wide range of dairy products originating from other signatory countries that have ratified the CPTPP. In Australia, cheese products imported from other signatory countries that have ratified the CPTPP are not subject to import quota control.

In November 2018, the Government of Canada announced that it would allocate, on an interim basis, a significant portion of the CPTPP TRQs to dairy processors in Canada. In May 2019, Global Affairs Canada launched a comprehensive review of the TRQ administration for supply-managed products, including dairy TRQs, with the expectation that the long-term allocation and administration policies for these licences would be published in September 2020. However, in May 2020, this review was temporarily suspended by the Government of Canada due to the COVID-19 pandemic with no date provided as to when the review would resume. The CPTPP provides for export opportunities for dairy products originating from Australia and Canada to other signatory countries that have ratified the CPTPP.

#### **3.4.4 CANADA-UNITED STATES-MEXICO AGREEMENT**

The Canada-United States-Mexico Agreement (CUSMA) was signed on November 30, 2018, by the governments of Canada, the USA, and Mexico. In April 2020, all three countries provided formal notification that their respective internal ratification processes were complete. The CUSMA is expected to enter into force on July 1, 2020. On such day, the CUSMA will replace the North American Free Trade Agreement. The CUSMA will provide additional access to the Canadian market under TRQs for a wide range of dairy products and will require the Canadian government to adhere to certain pricing and export provisions for dairy products.

#### **3.4.5 COMPREHENSIVE REVIEW OF CANADA'S IMPORT LICENCES (TARIFF RATE QUOTAS) FOR DAIRY PRODUCTS**

On May 10, 2019, Global Affairs Canada launched a comprehensive review of the allocation and administration of Canada's TRQs for supply-managed products, including dairy, poultry and egg products, with the expectation that the long-term allocation and administration policies for these licences would be published in September 2020. However, in May 2020, this review was temporarily suspended by the Government of Canada due to the COVID-19 pandemic with no date provided as to when the review would resume.

#### **3.4.6 EXPORTS**

Further to a decision rendered by the WTO in December 2002, which found that Canada's dairy export practices constituted export subsidies, Canada is only permitted to export milk products over its WTO commitments on subsidized exports at prices which are based on Canada's raw milk prices. However, as part of the "Nairobi Package", which was adopted at the WTO's Ministerial Conference in December 2015, the government of Canada agreed to eliminate all subsidized dairy exports by the end of 2020. While the Canadian dairy industry has undertaken to adapt the Canadian milk supply management system to ensure that dairy product exports will be permitted to continue beyond December 31, 2020, once the CUSMA enters into force, skim milk powder, milk protein concentrate and infant formula from Canada will be subject to an export charge, regardless of the destination market, for volumes exceeding annual threshold limits as outlined in the CUSMA. The USA, Australia, Argentina and the United Kingdom do not impose export restrictions on dairy products destined to international markets. However, Argentina imposes an export tax on dairy products.

### 3.5 PROCESSING AND TRADE

The International Dairy Federation reports and analyzes information about the international dairy sector, including global production and export. The information in the following tables was taken from the Bulletin of the International Dairy Federation 501/2019 and offers a general comparative view of production and export volumes in the countries where Saputo has production facilities.

Production <sup>(1)</sup>					
Volume (x 1 000 metric tonnes)	Canada	USA	Australia	Argentina	United Kingdom
Liquid Milk	2,513 <sup>(2)</sup>	21,354	2,538	1,496	6,797 <sup>(6)</sup>
Fermented Products	398	1,990 <sup>(4)</sup>	–	415 <sup>(4)</sup>	457
Cream	408	637 <sup>(5)</sup>	–	47	286
Butter and Butteroil	116 <sup>(3)</sup>	858 <sup>(3)</sup>	59	29	152
Cheese	443	5,908	344	579	426
Whole Milk Powder	–	65	54	145	17 <sup>(7)</sup>
Skim Milk Powder	108	1,068	208	51	72 <sup>(7)</sup>

(1) Volumes are indicated for calendar year 2018, except those for Australia which are based on the 12-month period beginning July 2018 and ending June 2019.

(2) Including chocolate milk and eggnog.

(3) Production of butter only.

(4) Production of yogurt only.

(5) Production of sour cream.

(6) Consumer-packaged goods.

(7) Production estimated.

Export <sup>(1)</sup>					
Volume (x 1 000 metric tonnes)	Canada	USA	Australia	Argentina	United Kingdom
Liquid Milk	7 <sup>(2)</sup>	94	216	–	67 <sup>(6)</sup>
Fermented Products	10	24 <sup>(4)</sup>	10	–	50
Cream	–	25 <sup>(5)</sup>	9	–	5
Butter and Butteroil	2 <sup>(3)</sup>	49 <sup>(3)</sup>	18	6	66
Cheese	10	348	176	49	187
Whole Milk Powder	1	48	56	122	66 <sup>(7)</sup>
Skim Milk Powder	66	713	157	21	60 <sup>(7)</sup>

(1) Volumes are indicated for calendar year 2018, except those for Australia which are based on the 12-month period beginning July 2018 and ending June 2019.

(2) Including chocolate milk and eggnog.

(3) Production of butter only.

(4) Production of yogurt only.

(5) Production of sour cream.

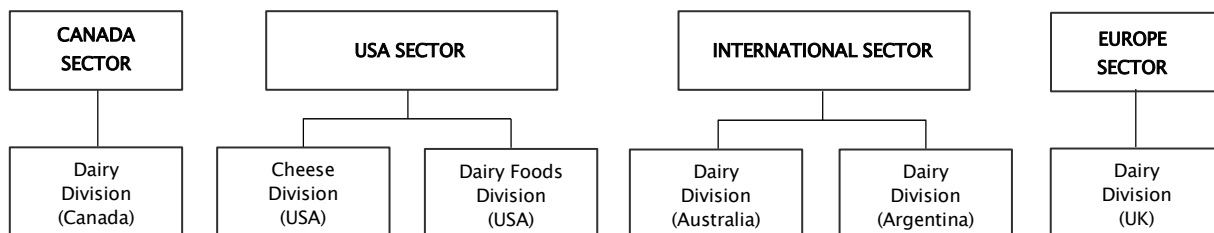
(6) Consumer-packaged goods.

(7) Production estimated.

## ITEM 4 – DESCRIPTION OF THE BUSINESS

### 4.1 OVERVIEW

During fiscal 2020, the Company operated its business through four sectors and six divisions.



The Company currently operates 66 manufacturing facilities and, as at March 31, 2020, employed approximately 17,200 employees.

The Company's products are sold in several countries under market-leading brands, as well as private label brands.

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

(in millions of CDN dollars)	Revenues by Sector			
	Year ended March 31, 2020		Year ended March 31, 2019	
	Revenues (\$)	% of Total Revenues	Revenues (\$)	% of Total Revenues
Canada Sector	4,007.3	26.8	4,043.1	29.9
USA Sector	7,093.6	47.5	6,507.7	48.2
International Sector	3,076.7	20.6	2,951.1	21.9
Europe Sector	765.9 <sup>(1)</sup>	5.1	–	–
<b>Total</b>	<b>14,943.5</b>	<b>100.0</b>	<b>13,501.9</b>	<b>100.0</b>

(1) For the 50-week period ended March 31, 2020, being the 50 complete weeks of fiscal 2020 following the acquisition of Dairy Crest Group plc on April 15, 2019.

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

(in millions of CDN dollars)	Total Company Revenues - Market Segmentation			
	Year ended March 31, 2020		Year ended March 31, 2019	
	Revenues (\$)	% of Total Revenues	Revenues (\$)	% of Total Revenues
Retail	7,360.2	49.2	6,342.3	47.0
Foodservice	5,061.4	33.9	4,794.7	35.5
Industrial	2,521.9	16.9	2,364.9	17.5
Total	14,943.5	100.0	13,501.9	100.0

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

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

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

Since the last two weeks of fiscal 2020, the COVID-19 pandemic and related efforts to contain the pandemic significantly impacted the Company's business, as the Company witnessed a shift in consumer demand on the global scale for its products. See the "Recent Developments Related to COVID-19 and Outlook" section of the Management's Discussion and Analysis for the fiscal year ended March 31, 2020, for additional information.

## 4.2 CANADA SECTOR

The Canada Sector consists of the Dairy Division (Canada). In fiscal 2020, the Canada Sector represented 26.8% of the Company's total revenues.

### 4.2.1 PRODUCTS

Through its Dairy Division (Canada), Saputo produces, markets and distributes in Canada a variety of cheeses, including mozzarella and cheddar, specialty cheeses, such as ricotta, provolone, parmesan, goat cheese, feta and havarti, fine cheeses, such as brie and camembert, and other cheeses, including brick, colby, farmer, munster, monterey jack, fresh curd and processed cheeses. Saputo's cheese products are sold under various brand names, such as *Saputo*, *Armstrong*, *Alexis de Portneuf*, *Bari*, *Cheese Heads*, *Chevrai*, *Cogruet*, *DuVillage 1860*, *Kingsey*, *Shepherd Gourmet Dairy*, *Stella* and *Woolwich Goat Dairy*, as well as under customer brand names. Through the Company's cheese distribution network, Saputo distributes fine imported cheeses to specialty stores, as well as certain dairy and non-dairy products manufactured by third parties. Furthermore, Saputo produces, markets and distributes in Canada and on the international market



a number of dairy ingredients, including milk powder, whey powder, lactose and whey protein concentrates.

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

#### 4.2.2 PRODUCTION

##### *Raw Materials*

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

##### *Facilities*

The Company operates 21 manufacturing facilities located in Canada, including the facilities in Trenton, Ontario, and Saint John, New Brunswick, which are scheduled to close in September 2020 and January 2021, respectively. The Company owns all of these facilities, with the exception of two facilities, and they have an overall excess capacity of 27%.

#### 4.2.3 MARKETS

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

---

\* Trademark used under licence.

## Clientele

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

(in millions of CDN dollars)	Canada Sector – Revenues – Market Segmentation			
	Year ended March 31, 2020		Year ended March 31, 2019	
	Revenues (\$)	% of Total Revenues	Revenues (\$)	% of Total Revenues
Retail	2,345.8	58.5	2,432.1	60.1
Foodservice	1,430.5	35.7	1,413.3	35.0
Industrial	231.0	5.8	197.7	4.9
Total	<b>4,007.3</b>	<b>100.0</b>	<b>4,043.1</b>	<b>100.0</b>

### 4.2.4 DISTRIBUTION

Product distribution in Canada is realized through direct shipments to certain customers, as well as to national and regional third-party distributors. Saputo has also developed a nation-wide distribution network for its dairy operations, comprised of 21 distribution centres and warehouses and 742 distribution routes across Canada.

### 4.2.5 COMPETITION

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

### 4.2.6 EMPLOYEE RELATIONS

As at March 31, 2020, the Canada Sector had approximately 5,600 employees, all located in Canada. Approximately 29% of the Canada Sector's workforce is unionized.

The Company does not currently foresee any labour unrest in connection with the renewal of collective agreements expiring in fiscal 2021. All agreements that expired in fiscal 2020 were, or are expected to be, renewed upon satisfactory terms or continue to govern during ongoing negotiations, which are expected to result in satisfactory renewals. The Company has good employee relations in Canada. The loyalty and dedication of its employees are key elements in the Company's performance.

## 4.3 USA SECTOR

---

The USA Sector includes the Cheese Division (USA) and the Dairy Foods Division (USA). In fiscal 2020, revenues from the USA Sector represented 47.5% of the Company's total revenues.

### 4.3.1 PRODUCTS

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

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

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

### 4.3.2 PRODUCTION

#### *Raw Materials*

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

#### *Facilities*

The Company operates 26 manufacturing facilities located in the USA. The Company owns all of these facilities, with the exception of two facilities, and they have an overall excess capacity of 16%.

### 4.3.3 MARKETS

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

## Clientele

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

(in millions of CDN dollars)	USA Sector – Revenues – Market Segmentation			
	Year ended March 31, 2020		Year ended March 31, 2019	
	Revenues (\$)	% of Total Revenues	Revenues (\$)	% of Total Revenues
Retail	3,074.0	43.3	2,756.7	42.3
Foodservice	3,417.5	48.2	3,207.5	49.3
Industrial	602.1	8.5	543.5	8.4
Total	7,093.6	100.0	6,507.7	100.0

### 4.3.4 DISTRIBUTION

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

### 4.3.5 COMPETITION

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

### 4.3.6 EMPLOYEE RELATIONS

As at March 31, 2020, the Company's USA Sector had approximately 6,500 employees, all located in the USA. Approximately 27% of the USA Sector's workforce is unionized.

The Company does not currently foresee any labour unrest in connection with the renewal of collective agreements expiring in fiscal 2021. All agreements that expired in fiscal 2020 were, or are expected to be, renewed upon satisfactory terms or continue to govern during ongoing negotiations, which are expected to result in satisfactory renewals. The Company has good employee relations in the USA. The loyalty and dedication of its employees are key elements in the Company's performance.

## 4.4 INTERNATIONAL SECTOR

---

The International Sector includes the Dairy Division (Australia) and the Dairy Division (Argentina). In fiscal 2020, revenues from the International Sector represented 20.6% of the Company's total revenues.

### 4.4.1 PRODUCTS

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

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

### 4.4.2 PRODUCTION

#### *Raw Materials*

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

#### *Facilities*

The Company operates, through its International Sector, 14 manufacturing facilities. The Company owns all of these facilities, with the exception of two facilities, and they have an overall excess capacity of 25%.

### 4.4.3 MARKETS

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

---

\* Trademark used under licence.

## Clientele

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

(in millions of CDN dollars)	International Sector – Revenues – Market Segmentation			
	Year ended March 31, 2020		Year ended March 31, 2019	
	Revenues (\$)	% of Total Revenues	Revenues (\$)	% of Total Revenues
Retail	1,306.5	42.4	1,153.5	39.1
Foodservice	203.8	6.7	173.9	5.9
Industrial	1,566.4	50.9	1,623.7	55.0
Total	<b>3,076.7</b>	<b>100.0</b>	<b>2,951.1</b>	<b>100.0</b>

### 4.4.4 DISTRIBUTION

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

### 4.4.5 COMPETITION

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

### 4.4.6 EMPLOYEE RELATIONS

As at March 31, 2020, the International Sector had approximately 4,000 employees, of which approximately 3,000 were located in Australia and 1,000 in Argentina. Approximately 57% of the Dairy Division (Australia) workforce and 78% of the Dairy Division (Argentina) workforce is unionized.

The Company does not currently foresee any labour unrest in connection with the renewal of collective agreements expiring in fiscal 2021. All agreements that expired in fiscal 2020 were, or are expected to be, renewed upon satisfactory terms or continue to govern during ongoing negotiations, which are expected to result in satisfactory renewals. The Company has good employee relations. The loyalty and dedication of its employees are key elements in the Company's performance.

## 4.5 EUROPE SECTOR

---

The Europe Sector is comprised of the Dairy Division (UK). The Dairy Division (UK) consists of the activities of Dairy Crest Group plc acquired by the Company on April 15, 2019 (the “**Dairy Crest Acquisition**”). In fiscal 2020, the Europe Sector represented 5.1% of the Company’s total revenues.

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

### 4.5.1 PRODUCTS

In the United Kingdom, the Dairy Division (UK) manufactures, markets and distributes cheese, butter, spreads and oils under leading British brands, such as *Cathedral City*, *Clover*, *Country Life*, *Davidstow* and *Frylight*. The Dairy Division (UK) also manufactures dairy-free spreads and distributes dairy-free cheese, both marketed under the *Vitalite* brand. In addition, the Dairy Division (UK) manufactures demineralized whey powder, galacto-oligosaccharides (GOS) for the infant formula markets, and other value-added dairy ingredients.

### 4.5.2 PRODUCTION

#### *Raw Materials*

In the United Kingdom, Saputo sources its milk requirements directly from farmers. The Dairy Division (UK) sources its other raw materials from various suppliers.

#### *Facilities*

Through its Europe Sector, the Company operates five manufacturing facilities in the United Kingdom, all owned by the Company, two of which are held as leasehold properties, which have an overall excess capacity of 16%.

### 4.5.3 MARKETS

Sales of branded cheese, branded oil, butter, dairy spreads and dairy-free spreads are mainly in the retail market segment. Ingredient sales of demineralized whey and GOS are made to industrial customers. Almost all of the Dairy Division (UK)’s sales are to customers in the United Kingdom.

## Clientele

The following table presents, for the Europe Sector, revenues by market segmentation for the 50-week period ended March 31, 2020 (being the 50 complete weeks of fiscal 2020 following the Dairy Crest Acquisition):

(in millions of CDN dollars)	Europe Sector – Revenues – Market Segmentation	
	50-week period ended March 31, 2020	
	Revenues (\$)	% of Total Revenues
Retail	633.8	82.7
Foodservice	9.7	1.3
Industrial	122.4	16.0
Total	765.9	100.0

### 4.5.4 DISTRIBUTION

Sales in the United Kingdom are mostly made through direct shipments to customer distribution centres from the Dairy Division (UK)'s national distribution centre with transport and logistics provided through a third party.

### 4.5.5 COMPETITION

In the United Kingdom, the Company competes mainly with multinational and national dairy processors. The Company is the largest manufacturer of branded cheese and a leading manufacturer and packer of branded butter and dairy spreads in the United Kingdom.

### 4.5.6 EMPLOYEE RELATIONS

As at March 31, 2020, the Europe Sector had approximately 1,100 employees. Approximately 24% of the Europe Sector's workforce is unionized.

The Company does not currently foresee any labour disputes in connection with the renewal of collective agreements expiring in fiscal 2021. All agreements that expired in fiscal 2020 were renewed on satisfactory terms. The Company has good employee relations. The loyalty and dedication of its employees are key elements in the Company's performance.

## 4.6 CAPITAL EXPENDITURES

---

In fiscal 2020, the Company completed the third year of its three-year capital expenditure plan started in fiscal 2018 under which the Company had initially planned to allocate capital expenditure amounts representing approximately \$150 million over the depreciation and amortization expense for the three-year period to fund additional strategic projects, without taking into account the Company's ERP initiative. Through this three-year plan, the Company invested an aggregate amount



of \$1.0 billion in capital expenditures for property, plant and equipment (net of the proceeds of the sale of a facility in Canada), being \$138 million over its depreciation and amortization expense for such period. This amount is less than initially planned because of re-planning or re-prioritizing of certain projects in the normal course of operations.

In fiscal 2020, the Company spent approximately \$576 million in property, plant and equipment, and its depreciation and amortization expense totalled \$467 million.

On an annual basis, the Company intends to continue to invest in capital expenditures to a level which is similar to its depreciation and amortization expense. However, as a result of uncertainties caused by the COVID-19 pandemic, the Company is re-evaluating the nature and timing of its capital expenditures projects. The Company's current capital allocation priorities are focused on investing wisely to support its business operations. The Company will review and, when appropriate, adjust the amount and allocation of capital expenditures as the COVID-19 pandemic and the post-pandemic recovery evolves. As such, the actual capital expenditures for fiscal 2021 may significantly vary from the Company's expectations set out below.

The Company intends to continue investing in strategic projects to modernize equipment and processes in targeted facilities with a view to pursue organic growth, continue to meet demand, and increase efficiency. The Company's plan also includes investments in strategic projects related to plant-based products and the Company's environmental pledges.

The following table sets forth the capital expenditures the Company expects to incur in fiscal 2021.

Capital Expenditures in Property, Plant and Equipment	Fiscal 2021 (\$ millions)
Base capital expenditures	240.9
Strategic projects	202.7
Capital expenditures related to the ERP system	48.7
Total	<b>492.3</b>

The Company will continue planning, designing and implementing activities for the migration to the new ERP system, which has now been implemented fully in Argentina and in the Dairy Foods Division (USA) and partially in both the Cheese Division (USA) and the Dairy Division (Australia). Considering the COVID-19 pandemic and related travel restrictions, the Company has re-planned the deployment of the ERP program, including by postponing the rollout within the remainder of the Dairy Division (Australia) to fiscal 2022. While closely monitoring the COVID-19 developments, the Company plans to continue with the subsequent phases of the implementation within the Cheese Division (USA) up until the end of fiscal 2022. The Dairy Division (Canada) is expected to begin its ERP rollout during the third quarter of fiscal 2021. The Dairy Division (UK) remains out of scope of Saputo's global ERP program and will continue to operate under its existing ERP system.

As at March 31, 2020, the Company had invested, in the aggregate, approximately \$308 million in its ERP program and expects the cost of the implementation of its ERP program to represent, based on the current project scope and in the aggregate, approximately \$400 million, an increase of \$30 million over last year's estimate. This increase is mainly due to the deployment re-plan resulting from the COVID-19 pandemic and related travel restrictions. The Company's investments for the remainder of its ERP program are expected to be approximately \$91 million, with approximately \$49 million for fiscal 2021, approximately \$25 million for fiscal 2022, and the balance for fiscal 2023.

## 4.7 CORPORATE RESPONSIBILITY

---

### 4.7.1 GOVERNANCE

The Saputo Promise is the Company's approach to social, environmental and economic performance based on seven Pillars: Food Quality and Safety, Our People, Business Ethics, Responsible Sourcing, Environment, Nutrition and Healthy Living, and Community.

The Board of Directors of the Company oversees its practices, guidelines and policies related to the Saputo Promise. The Company's Corporate Responsibility Committee ("**CR Committee**") oversees the implementation of the Saputo Promise and monitors the Company's progress for each of the seven Pillars. The CR Committee is composed of the Company's President and Chief Operating Officer, the Chief Financial Officer, the Chief Human Resources Officer, the President and Chief Operating Officer of each of its divisions, and the Director, Corporate Responsibility. The President and Chief Operating Officer annually reports to the Board of Directors on the Saputo Promise.

In addition to the CR Committee, other committees contribute to making sure that the Saputo Promise is an integral part of the Company's management structure, and to ensuring the implementation and monitoring of appropriate management measures across specific Pillars. These committees include: the Environmental Committee, the Quality Assurance Committee ("**QA Committee**"), the Health and Safety Committee, the Saputo Diversity and Inclusion Global Council, and the Animal Welfare Committee.

### 4.7.2 FOOD QUALITY AND SAFETY

When it comes to food quality and safety programs, the Company manages its business with harmonized standards across its operations. The Company's facilities worldwide are audited internally and by third-parties several times per year to assess compliance with local laws and regulations, as well as with international industry standards. As at March 31, 2020, 98% of the Company's facilities were certified to the Global Food Safety Initiative (GFSI) standards, which require having passed a rigorous quality and food safety system audit that is internationally recognized and globally benchmarked, and all of these facilities achieved a Good or Excellent audit rating.

The Company's Food Quality and Safety Policy, and related Company programs and standards, are overseen by its QA Committee, which is chaired by the Company's Chief Executive Officer and is comprised of the Company's President and Chief Operating Officer, and the President and Chief Operating Officer and quality assurance experts of each of its divisions. Quarterly reporting on the Company's food quality and safety performance is made to the Audit Committee by the QA Committee, and the Chair of the QA Committee meets annually with the Audit Committee.

The Company's Food Quality and Safety Policy reflects and upholds its goal to supply its customers and consumers products that are safe and of the upmost quality. To achieve this goal, the Company is committed to maintaining high food quality and safety programs and standards throughout its supply chain, to continuously monitoring, reviewing, and improving these programs and standards, and to building an inclusive culture to ensure its food quality and safety programs and standards are supported by and achieved through the commitment of all employees.

The Company shares its food quality and safety expectations with its suppliers. From a food safety perspective, the Company also ensures that robust contingency processes and precautionary

measures are in place, such as systems for tracing raw materials and final products, which allow the Company to take proactive and immediate action, if necessary.

The Company believes in sharing its best practices relating to food quality and safety with other dairy industry participants to help maximize the maintenance of food quality and safety for the public at large. The Company attains this objective by actively collaborating with industry, regulatory and academic committees, such as the International Dairy Foods Association (IDFA), the International Association for Food Protection (IAFP), and the Innovation Center for US Dairy, and Dairy Management Inc.

### 4.7.3 DIVERSITY AND INCLUSION

The Company recognizes that a diverse and inclusive environment which values diversity of thought, background, skills and experience facilitates a broader exchange of perspectives. Diversity enriches discussions among directors and better reflects the Company's relationship with its customers, employees, shareholders, business partners and other stakeholders.

The Company's commitment towards Diversity and Inclusion is described in the Board Diversity Policy. The Board Diversity Policy states that, in the context of the director nomination process, the Corporate Governance and Human Resources Committee of the Board of Directors of the Company (the "**Corporate Governance and HR Committee**") will consider the merit of potential candidates based on a balance of skills, abilities, personal qualities, educational qualifications and professional experience, including taking into account diversity considerations such as gender, age and geographic areas and other characteristics of the communities in which Saputo is present and conducts its business. Additionally, the Corporate Governance and HR Committee's annual review of the size and composition of the Board of Directors is conducted with a view to identifying imbalances or gaps, as well as opportunities that may be associated with further diversification. Accordingly, the Board of Directors and the Corporate Governance and HR Committee consider diversity in the broadest sense, including gender and other diverse attributes, in selecting potential director candidates.

The same value placed on diversity at the Board of Directors level is also placed at the management level and Saputo strives to embed diversity and inclusion in the corporate culture. While the Company seeks to recruit or appoint those individuals who are most qualified for the particular position, regardless of personal characteristics, Saputo recognizes the value of diversity, including gender diversity, which offers a depth of perspectives and enhances the Company's operations. The Company is committed to attracting talented women and men, and in its recruiting and staffing efforts, the Company promotes a work environment that values diversity of backgrounds, skills, experiences and perspectives in order to foster diversity of thought and build diverse teams.

In fiscal 2019, the Company appointed its first Director, Talent Management with a key focus on diversity and inclusion. The Company also launched the Saputo Diversity and Inclusion Global Council (the "**Council**"), comprised of the Company's President and Chief Operating Officer and employees from each of the Company's divisions, to promote a diverse and inclusive work environment. Through the initiatives of the Council, the Company aims to continue to review the current policies and procedures as well as deploy learning and development programs with the intent of providing equal opportunities to all employees and potential candidates. The Chief Human Resources Officer reports annually to the Board of Directors on diversity matters.

#### **4.7.4 WORKING CONDITIONS**

Saputo's success depends on its ability to identify, attract and retain qualified individuals and to execute appropriate succession planning for Management and key personnel.

The Company strives to be an employer of choice for top talent in the dairy industry, recognized for its values and its commitment to its employees. To do so, the Company invests in its employees, with continuous training and developing programs, providing them with the skills needed to maintain high-quality standards throughout the Company's operations, continue to grow and have a career within the Company. In fiscal 2020, the Company invested 337,150 hours in developing its employees. Furthermore, the Company's focus on promoting from within has translated into 1,080 employees being promoted internally in fiscal 2020.

#### **4.7.5 HEALTH AND SAFETY**

Keeping employees safe and healthy is a priority and the Company continues to increase its efforts to embed a culture of safety across its operations. Its Health and Safety ("H&S") Committee, chaired by the Company's President and Chief Operating Officer, and composed of the H&S leaders of each of its divisions, is responsible to align best H&S practices globally. The Chief Human Resources Officer reports quarterly to the Corporate Governance and HR Committee on H&S matters.

In 2019, the Company launched Goal Zero, the Company's focused approach to H&S based on sharing best practices and driving a culture where employees are an integral part of the solution to safety issues. As a result, in fiscal 2020, the Company's total injury frequency rate (TIFR) improved by 26% while its lost time injury frequency rate (LTIFR) posted a 23% improvement.

#### **4.7.6 ANIMAL WELFARE AND SUPPLIER CODE OF CONDUCT**

The Company has adopted an Animal Welfare Policy, which affirms that the Company has zero tolerance for any act of animal cruelty. The Company monitors adherence to its Animal Welfare Policy and expects suppliers to comply with appropriate regulations, animal care and handling standards or Codes of Practice, and to implement awareness and training programs. The Company has established a clear protocol to work with suppliers and relevant authorities to address situations when presented with credible evidence to support an allegation of animal cruelty.

The Company's Animal Welfare Committee oversees the Company's efforts and initiatives to ensure suppliers' compliance with recognized animal care standards or Codes of Practice, and monitors animal welfare best practices. The Animal Welfare Committee is led by the Company's Director of Animal Welfare and is comprised of Saputo internal senior leaders from Governmental Affairs, Milk Procurement, Communications and Sales. Breaches to the Company's Animal Welfare Policy would be reported to the Audit Committee.

In developing and updating the Animal Welfare Policy, the Animal Welfare Committee consults industry and governmental agencies which can include animal protection authorities, regulatory bodies, humane societies, suppliers, customers, and also works with animal welfare experts from universities and veterinary colleges.

In fiscal 2019, the Company launched the Saputo Supplier Code of Conduct which sets the standards of business conduct expected from its suppliers. Beyond animal care, the Company aims to promote responsible business practices by working with its suppliers across the value chain and engaging them to implement standards to achieve common objectives. The Company believes its relationships

with suppliers are vital to its ability to make high-quality products. The Company aims to create an environment where it can build and maintain strong, sustainable and long-term relationships with its suppliers.

#### 4.7.7 ENVIRONMENT

The Company updated its Environmental Policy in fiscal 2020 to reflect and uphold its goal and long-term commitment to pursue environmentally responsible business practices. The Company's goal stated in its Environmental Policy is to safeguard the environment while continuing to grow as a world-class dairy processor by:

- meeting compliance obligations;
- preventing pollution;
- reducing the Company's impact on, and adapting to, climate change;
- using natural resources sustainably;
- protecting biodiversity and ecosystems;
- leveraging the Company's capabilities as a business to create positive environmental actions.

To achieve its goal, the Environmental Policy notably provides that the Company commits to embed strong environmental values in the leadership of its business, to dedicate resources and develop the skills of its people, to evaluate its impacts on the environment, to continually develop and improve the Company's Environmental Management System and associated business processes, and to systematically measure and monitor its performance.

In fiscal 2020, the Company pledged to accelerate its global climate, water and waste performance and announced clear targets and a formal commitment to make significant and sustainable progress by 2025.

The Company expects to deliver on its goal with targeted initiatives focusing on renewable electricity, resource conservation and sustainable packaging. The Company will allocate additional resources to support the execution of this global action plan, including a three-year investment of \$50 million. Also, Saputo has established a governance framework to foster Company-wide accountability and ownership, with the President and Chief Operating Officer (North America) and by interim Dairy Foods Division (USA), serving as its Executive Champion.

Looking ahead, the Company intends to extend efforts to its supply chain to further assist in helping address industry-wide environmental considerations.

The Company's Environmental Committee, which includes the Chief Executive Officer, the President and Chief Operating Officer, Saputo Inc. and International Sector, the President and Chief Operating Officer (North America) and by interim Dairy Foods Division (USA), the President of each division and the senior manager in each division responsible for environmental matters, is responsible for overseeing the application of the Environmental Policy. The Environmental Committee meets quarterly to discuss the progress of its environmental objectives, the environmental condition of the Company's facilities, the required action plans and the status of ongoing projects. Quarterly reporting on the Company's environmental performance is made to the Audit Committee by the Environmental Committee, and the Chair of the Environmental Committee meets annually with the Audit Committee. Reference is made to Appendix A hereto for the Audit Committee's Mandate.

The Company's global operations are subject to various and continuously evolving federal, provincial, state, municipal and local laws and regulations relating to environmental protection. Its facilities generally operate under wastewater discharge permits issued under these laws and regulations or have entered into wastewater discharge agreements with local municipalities. Compliance with these laws, regulations, permits and agreements require the Company to incur expenses and to monitor its operations on an ongoing basis. The Company believes that its operations comply in all material respects with the requirements of its permits and agreements, and with currently applicable environmental laws and regulations, except as discussed below. The Company intends to comply with all applicable environmental laws and regulations, including all permit requirements and agreements with municipalities.

Exceedances in wastewater generated by some Company facilities over the limits prescribed in applicable laws, wastewater discharge permits or agreements with municipalities have been registered in the past and in some recent samplings, as well as isolated accidental cases of unauthorized discharges. At such facilities, the Company has been implementing various measures to reduce wastewater at source and, at certain locations, has upgraded or is upgrading equipment to achieve compliance and prevent future incidents.

Through past acquisitions, the Company inherited historical contamination at some facilities and environmental compliance issues relating notably to wastewater discharges. Most of these historical contaminations result from current or former petroleum storage tanks. The Company is either implementing proper remediation measures, overseeing their implementation by the responsible party or proceeding with additional investigations to determine if further action is required. In some cases, with the consent of governmental authorities, the Company continues to monitor the situation to confirm that no further action is required. The Company does not expect that major expenditures will be required to deal with the contamination at these facilities and environmental compliance issues.

The Company stays apprised of new climate change legislation, has appropriate monitoring plans in place where required, and complies with the registration or reporting requirements currently applicable to some of its facilities. One facility in California and another in the United Kingdom are currently subject to greenhouse gas emission reduction requirements, and each holds all emission allowances, credits or units necessary to comply with the requirements for the 2020 calendar year.

During fiscal 2020, the Company spent approximately \$16.0 million to comply with existing environmental laws and regulations and improve plant efficiencies to reduce noise and air emissions and wastewater discharge, to update or remove underground storage tanks, to address contamination issues and to improve wastewater treatment systems at a number of its facilities, and spent less than \$100,000 in costs associated with obligations related to closed facilities. All amounts spent during fiscal 2020 are reflected in the Company's Consolidated Financial Statements included in the 2020 Annual Report. For fiscal 2021, Management estimates similar types of expenditures at approximately \$31.9 million and less than \$100,000, respectively. Management believes that compliance with currently applicable environmental protection requirements will not have a material effect on the Company's earnings or competitive position during fiscal 2021.

#### **4.7.8 NUTRITION AND HEALTHY LIVING**

The Company constantly monitors consumer trends and aims to respond accordingly. For instance, the Company is committed to diversifying its product portfolio by pursuing more plant-based opportunities in line with increasing consumer demand for these types of products. The Company also continues its efforts to develop innovative approaches and enhance the nutritional value of its

products, including reducing salt and sugar in some products and working to meet consumer demand for clean labelling.

## **4.8 INTELLECTUAL PROPERTY**

---

As the Company is involved in the production, sale and distribution of food products, it relies on brand recognition and loyalty from its clientele, in addition to relying on the quality of its products. The Company focuses on certain established brands and believes that its trademarks are recognized by consumers for quality and reliability. Also, as innovation forms part of Saputo's growth strategy, new technologies, products and process optimization methods have been developed by the Company's research and development teams in recent years. The protection of these assets may include patenting certain technologies when appropriate. Hence, Saputo takes, and intends to continue taking, appropriate measures to protect, maintain and enforce its intellectual property.

## **4.9 RISKS AND UNCERTAINTIES**

---

The risks and uncertainties related to Saputo's operations are disclosed in the Company's Management's Discussion and Analysis for the year ended March 31, 2020, under the heading "Risks and Uncertainties", and incorporated herein by reference. See the "Additional Information" section below to access the Company's Management's Discussion and Analysis.

# **ITEM 5 - DIVIDEND POLICY**

## **5.1 DIVIDEND POLICY**

---

Saputo has a policy of declaring quarterly cash dividends on the Common Shares. The Company's dividend policy is reviewed from time to time, but at least once annually, by the Board of Directors and depends on Saputo's financial condition, financial performance, capital requirements and such other factors as the Board of Directors, in its sole discretion, deems relevant.

In fiscal 2018, 2019 and 2020, Saputo declared yearly dividends on the Common Shares of \$0.64, \$0.66 and \$0.68 per share, respectively. During fiscal 2020, the Company's dividend policy was reviewed by the Board of Directors and the quarterly dividend of \$0.165 per share, representing a yearly dividend of \$0.66 per share, was increased on August 8, 2019, to \$0.17 per share, representing a 3.0% increase compared to fiscal 2019 and a yearly dividend of \$0.68 per share.

## 5.2 DIVIDEND REINVESTMENT PLAN

---

The Company has implemented a dividend reinvestment plan (the “**DRIP**”) effective as of May 28, 2020. The DRIP provides eligible shareholders with the opportunity to have all or a portion of their cash dividends automatically reinvested into additional Common Shares (“**Reinvestment Shares**”). Participants in the DRIP will, until further notice, acquire Reinvestment Shares issued from treasury at a price equal to the volume weighted average price of the Company's common shares on the Toronto Stock Exchange during the five (5) trading days immediately preceding the dividend payment date (the “**Average Market Price**”), less a discount of 2%. The Company has the discretion to change or eliminate the discount applicable to treasury purchases, provided that such discount shall not exceed 5% of Average Market Price. The Company will also be entitled, at its discretion and in accordance with the DRIP, to fund the DRIP with common shares acquired on the open market.

Unless otherwise approved by the Company, shareholders resident outside of Canada will not be entitled to participate in the DRIP. The Company intends to facilitate the participation in the DRIP of shareholders that are “qualified institutional buyers” in the United States, as defined in Rule 144A under the *Securities Act of 1933*.

Saputo's principal shareholder, Jolina Capital Inc., a holding company controlled by Emanuele (Lino) Saputo, has indicated to the Company its intention to enroll approximately 30% of the Common Shares it beneficially owns or controls, directly or indirectly, in the DRIP.

## ITEM 6 – CAPITAL STRUCTURE AND MARKET FOR SECURITIES

### 6.1 SHARE CAPITAL

---

#### 6.1.1 SHARE CAPITAL DESCRIPTION

The articles of the Company provide that its authorized share capital shall be composed of an unlimited number of Common Shares, without nominal or par value. As of the close of business on May 26, 2020, 408,729,435 Common Shares were issued and outstanding.

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

#### *Voting*

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

#### *Dividends*

The holders of Common Shares are, at the discretion of the Board of Directors, entitled to receive, out of any amounts properly applicable to the payment of dividends, any dividends declared and payable by Saputo on the Common Shares.



## *Dissolution*

The holders of Common Shares shall be entitled to share equally in any distribution of the assets of Saputo upon the liquidation, dissolution or winding-up of Saputo or other distribution of its assets among its shareholders.

### 6.1.2 SHARE TRADING PRICE AND VOLUME

The Common Shares of Saputo are listed on the TSX under the stock market symbol "SAP". The following table outlines the price range and trading volume of the Common Shares for each month of the last fiscal year:

Month	High (\$)	Low (\$)	Volume
April 2019	46.41	44.90	8,114,800
May 2019	46.06	44.60	8,885,100
June 2019	46.26	38.40	12,780,300
July 2019	40.62	39.03	6,728,400
August 2019	42.84	38.80	11,757,000
September 2019	41.03	39.63	10,929,500
October 2019	40.97	37.38	9,309,400
November 2019	40.77	37.91	9,820,200
December 2019	40.84	38.69	9,569,200
January 2020	41.61	39.06	8,449,100
February 2020	41.95	36.61	8,070,500
March 2020	37.70	29.31	21,780,900

## 6.2 MEDIUM TERM NOTES

---

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

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

During fiscal 2020, the Company completed the offering of one series of MTNs, which is detailed in the following table:

Security	Series 6 Notes
Size of Offering	\$400,000,000
Original Issue Date	November 19, 2019
Maturity Date	November 19, 2024
Coupon Rate	2.876%
Issue Price	\$1,000 per \$1,000 principal amount
Application of Proceeds	Repayment of outstanding indebtedness

As at May 26, 2020, the Company had five series of unsecured senior notes outstanding under its MTN Program for a total principal amount of \$1.65 billion.

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

### 6.3 CREDIT RATINGS

As at May 26, 2020, the credit ratings of the Company were as follows:

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

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

#### ***DBRS***

- DBRS Limited ("DBRS") has 10 issuer rating categories and long-term debt rating categories, each ranging from AAA to D and uses the designation "(high)" and "(low)" in all rating categories other than AAA and D to show the relative standing of a rating within a category. The absence of either a "(high)" or "(low)" designation indicates the rating is in the middle of the category.
- The BBB (high) issuer credit rating assigned to the Company by DBRS indicates that the Company ranks in the fourth highest of DBRS's ten rating categories. Issuers which are rated in the BBB category by DBRS are considered to be of adequate credit quality and the capacity for the payment of their financial obligations is considered acceptable. In addition, issuers in the BBB rating category may be vulnerable to future events. Issuer ratings assigned by DBRS address the overall credit strength of the issuer, are based on the entity itself and do not include consideration for security or ranking.
- The BBB (high) long-term debt rating assigned by DBRS to the notes issued by the Company indicates that the notes rank in the fourth highest of DBRS's ten rating categories. Debt

instruments which are rated in the BBB category by DBRS are considered to be of adequate credit quality and the capacity for the payment of financial obligations is considered acceptable. In addition, debt instruments in the BBB rating category may be vulnerable to future events.

- DBRS uses "rating trends" for its ratings in the corporate sector. Rating trends provide guidance in respect of DBRS's opinion regarding the outlook for the rating in question, with rating trends falling into one of three categories - "Positive", "Stable" or "Negative". The rating trend indicates the direction in which DBRS considers the rating is headed should present tendencies continue, or in some cases, unless challenges are addressed. In general, the DBRS view is based primarily on an evaluation of the issuing entity or debt instruments, as applicable, but may also include consideration of the outlook for the industry or industries in which the issuing entity operates. A Positive or Negative Trend is not an indication that a rating change is imminent. Rather, a Positive or Negative Trend represents an indication that there is a greater likelihood that the rating could change in the future than would be the case if a Stable Trend was assigned to the issuing entity or debt instruments, as applicable. DBRS assigns a rating trend for each security of an issuing entity and it is not unusual for securities of the same entity to have different trends.

### ***Moody's***

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

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

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

## ITEM 7 – DIRECTORS AND OFFICERS

### 7.1 DIRECTORS

The following table sets forth each director’s name, province/state and country of residence, the year each first became a director and principal occupation. Directors are elected until the next annual meeting of shareholders or, in the case of a vacancy or resignation, until a successor is elected or appointed.

Name and Province/State and Country of Residence	Director Since	Principal Occupation <sup>(1)</sup>
Lino Saputo, Jr. Québec, Canada	2001	Chair of the Board and Chief Executive Officer of the Company
Louis-Philippe Carrière, FCPA, FCA <sup>(2)</sup> Québec, Canada	2017	Corporate Director
Henry E. Demone <sup>(3)</sup> Nova Scotia, Canada	2012	Corporate Director
Anthony M. Fata <sup>(3) (5) (6)</sup> Québec, Canada	2008	President of Sager Food Products Inc. (a food products manufacturing and distribution company)
Annalisa King, ICD.D <sup>(4)</sup> British Columbia, Canada	2012	Chair of the Board of the Vancouver Airport Authority
Karen Kinsley, FCPA, FCA, ICD.D <sup>(4)</sup> Ontario, Canada	2015	Corporate Director
Tony Meti, ICD.D <sup>(4)</sup> Québec, Canada	2008	President of G.D.N.P. Consulting Services, Inc. (a consulting company)
Diane Nyisztor, CPA, CA, H.R.C.C.C. <sup>(3)</sup> Québec, Canada	2016	Senior Vice President and Chief Human Resources Officer, Cogeco Inc. (a telecommunications company)
Franziska Ruf <sup>(3)</sup> Québec, Canada	2016	Partner, Davies Ward Phillips & Vineberg LLP (a law firm)
Annette Verschuren, O.C. <sup>(4)</sup> Ontario, Canada	2013	Chair of the Board and Chief Executive Officer, NRstor Inc. (a commercial energy storage project developer)

(1) Reference is made to the Company’s Management Information Circular dated June 4, 2020, under the section entitled “Election of Directors”, for information on other occupations during the last five years. This information is incorporated herein by reference. The Company’s Management Information Circular may be found on the Company’s website at [www.saputo.com](http://www.saputo.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).

(2) Mr. Louis-Philippe Carrière was Chief Financial Officer and Secretary of the Company until August 1, 2017, and senior advisor to the Company from August 1, 2017 to April 3, 2020.

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

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

(5) Lead Director.

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

During the last five years, all of the above-listed directors have been engaged in their present principal occupations or in other executive capacities with the companies indicated opposite their name or with related or affiliated companies, except:

- Ms. Annalisa King who was Senior Vice President and Chief Financial Officer of Best Buy Canada Ltd. from 2008 to 2016;
- Mr. Henry E. Demone who was Chair of the Board of Directors of High Liner Foods Incorporated from 2015 to 2019; and
- Mr. Louis-Philippe Carrière who was Chief Financial Officer and Secretary of the Company until August 1, 2017, and senior advisor to the Company from August 1, 2017, to April 3, 2020.

Information concerning the securities held by directors is included in the Company's Management Information Circular dated June 4, 2020, under the section entitled "Election of Directors".

## 7.2 EXECUTIVE OFFICERS

The following table sets forth the name, province/state and country of residence and position with the Company of each person who is an executive officer of the Company as of May 28, 2020:

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

During the last five years, all of the above-listed executive officers have held the principal occupation indicated opposite their names or other senior management positions with the Company, except for Mr. Martin Gagnon who, until June 2016, was Managing Director for the National Bank Financial Corporate and Investment Banking Division, a subsidiary of National Bank of Canada.

As of May 26, 2020, the directors and executive officers of Saputo, as a group, beneficially owned or exercised control or direction over, directly or indirectly, an aggregate of 477,669 Common Shares, representing approximately 0.1% of the outstanding Common Shares of the Company.

## **ITEM 8 - LEGAL PROCEEDINGS**

The Company is defendant to certain claims arising from the normal conduct of its business. Management believes that the final resolution of these claims will not have a material adverse effect on its earnings or financial position.

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

In the normal course of business, the Company receives services from and provides goods to companies subject to control or significant influence through ownership by its principal shareholder. These goods and services are of an immaterial amount and compensated by a consideration equal to their fair value, comparable to similar arms' length transactions. Reference is made to the note in the Company's Consolidated Financial Statements describing related party transactions. See the "Additional Information" section below to access the Company's Consolidated Financial Statements.

## **ITEM 10 - EXPERTS**

Saputo's auditors are Deloitte LLP. Deloitte LLP is independent of Saputo within the meaning of the Code of Ethics of the *Ordre des comptables professionnels agréés du Québec*.

## **ITEM 11 - TRANSFER AGENT AND REGISTRAR**

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

## **ITEM 12 - MATERIAL CONTRACTS**

No material contracts outside the ordinary course of business of the Company were entered into during the year ended March 31, 2020, or before such year that are still in effect, and which are required to be filed with Canadian securities regulatory authorities in accordance with section 12.2 of National Instrument 51-102 *Continuous Disclosure Obligations*, except the Underwriting Agreement dated August 26, 2020, between Saputo Inc. and a syndicate of underwriters with respect to the sale on a bought deal basis of 11,617,300 Common Shares, which closed on September 11, 2019.

## ITEM 13 – AUDIT COMMITTEE INFORMATION

### 13.1 AUDIT COMMITTEE’S MANDATE

---

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

### 13.2 COMPOSITION AND RELEVANT EDUCATION AND EXPERIENCE

---

All members of the Audit Committee are independent and financially literate.

The following table sets forth each Audit Committee member’s name and education, as well as experience relevant to the performance of his or her responsibilities as an Audit Committee member:

Name	Education and Experience
Annalisa King	Completed a Bachelor’s degree in business administration. Ms. King has occupied senior positions, primarily in finance, throughout her career at consumer-packaged goods companies, including Senior Vice President and Chief Financial Officer of Best Buy Canada Ltd. from 2008 to 2016, where she led the company’s finance and accounting departments, as well as the information and ecommerce technology, legal and real estate functions. Ms. King’s professional experiences required and contributed to the development of her ability to analyze financial statements and understand the accounting principles used by the Company.
Karen Kinsley	Completed a Bachelor’s degree in Commerce. Ms. Kinsley has been a member of the Chartered Professional Accountants of Ontario since 1979 and was named a <i>fellow</i> in 2009. Ms. Kinsley held various positions within Canada Mortgage and Housing Corporation, including Chief Financial Officer for nine years and President and Chief Executive Officer for ten years. Ms. Kinsley’s professional experiences required and contributed to the development of her ability to analyze financial statements and understand the accounting principles used by the Company.
Tony Meti	Completed a Bachelor’s degree in Commerce. Mr. Meti occupied over the past 30 years various positions within Canadian Chartered Banks, including Senior Vice President, Commercial Banking and International and Senior Vice President, Commercial, North America. He is now the President of G.D.N.P. Consulting Services, Inc. Mr. Meti’s professional experiences required and contributed to the development of his ability to analyze financial statements and understand the accounting principles used by the Company.



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

### 13.3 POLICIES AND PROCEDURES REGARDING THE SERVICES RENDERED BY THE EXTERNAL AUDITORS

The Company has a policy with respect to services rendered by its external auditors (the "**Policy**"). The Policy divides the services in three categories: (i) services that are considered audit-related ("**Audit Services**") and therefore covered by the annual audit budget; (ii) services that do not qualify as Audit Services ("**Other Mandates**"); and (iii) services that cannot be provided by the external auditors ("**Prohibited Mandates**"). Pursuant to the Policy, no Other Mandate(s) can be provided by the Company's external auditors, unless one of the following conditions is met:

- (i) the Audit Committee has pre-approved the Other Mandate(s); or
- (ii) the amount of the fees to be paid for any individual Other Mandate not pre-approved by the Audit Committee does not exceed \$75,000 and the aggregate amount of this and all Other Mandate(s) not pre-approved by the Audit Committee and granted since the beginning of the Company's fiscal year does not exceed \$250,000.

Finally, the Policy requires that Management presents to the Audit Committee, on a quarterly basis, a statement of the services (other than the Audit Services) rendered by the external auditors of the Company, as well as any mandate given to other accounting firms.

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

The following table sets out, by categories, the fees billed by Deloitte LLP, the Company's external auditors, for fiscal years 2020 and 2019:

Fee Category	2020 (\$)	2019 (\$)
Audit Fees	2,861,500	2,245,900
Audit Related Fees	448,300	406,400
Tax Fees	639,400	464,200
All Other Fees	37,800	53,300
Total	3,987,000	3,169,800

"Audit fees" include the aggregate fees billed by Deloitte LLP for professional services rendered for the audit of Saputo's annual consolidated financial statements, for the review of Saputo's condensed interim consolidated financial statements and for services provided in connection with regulatory,

prospectus and other offering document filings or similar engagements. In addition, audit fees included the cost of translation of various continuous disclosure documents.

“Audit Related Fees” include the aggregate fees billed by Deloitte LLP for assurance and related services that are reasonably related to the performance of the audit or review of the financial statements and not reported as part of Audit Fees. More specifically, these services include, among other things, pension plan audits, attest services that are required by statute or regulation, consultations regarding financial reporting and accounting standards, services related to acquisitions, and other statutory audits.

“Tax Fees” include the aggregate fees billed by Deloitte LLP for all tax services. More specifically, these services include, among other things, tax compliance, tax preparation, tax advice and tax planning. Fees related to tax compliance and preparation amounted to \$128,000 for fiscal 2020 and \$194,760 for fiscal 2019. Fees for tax advice and planning amounted to \$511,400 for fiscal 2020 and \$269,440 for fiscal 2019.

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

## ITEM 14 – ADDITIONAL INFORMATION

Additional information, including disclosure of the Company’s corporate governance practices, directors’ and officers’ remuneration and indebtedness, principal holders of securities and securities authorized for issuance under the equity compensation plan is included in Saputo’s Management Information Circular dated June 4, 2020. Additional financial information is included in the Consolidated Financial Statements of the Company and notes thereto and in the accompanying Management’s Discussion and Analysis for the fiscal year ended March 31, 2020. These documents may be found on the Company’s website at [www.saputo.com](http://www.saputo.com) or on SEDAR at [www.sedar.com](http://www.sedar.com). Copies of these documents may be obtained by written request to the Secretary of the Company by mail at 6869 Métropolitain Boulevard East, Montréal, Québec, H1P 1X8, or via the Company’s corporate communications’ department at [investors@saputo.com](mailto:investors@saputo.com).

## APPENDIX “A”

### AUDIT COMMITTEE MANDATE

#### 1. AUTHORITY

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

#### 2. STRUCTURE

- 2.1 The Committee is made up of a minimum of three directors of the Company, each being independent and financially literate, except to the extent permitted by the requirements concerning the Committee as per applicable securities legislation. The terms “independent” and “financially literate” each have the meaning respectively provided under the requirements concerning the Committee as per applicable securities legislation.
- 2.2 The mandate of the members is for one year and may be renewed. The members are appointed by the Board at the first meeting following the annual meeting of shareholders, or at any other meeting to fill a vacancy. The Board may dismiss or replace a member at any time.
- 2.3 The Chair is appointed by the Board for a one-year term, which may be renewed. In the absence or failure of the Chair to sit, this role is filled by a member chosen by the Committee.
- 2.4 The Committee meets at least four times annually. The Chair of the Board, the Lead Director, any member of the Committee, the external auditors, the person responsible for internal audit, the Chief Executive Officer or the Chief Financial Officer and Secretary may call special meetings as needed. The Committee determines the place, date and time of its meetings. The meetings may be held by telephone or by any other means allowing the members to communicate with each other. Unless waived by the members of the Committee, the Committee shall meet in camera at each meeting.
- 2.5 The quorum for meetings of the Committee is a majority of the members and decisions are made by the majority of the votes cast by the members present.
- 2.6 The Chair of the Committee approves meeting agendas and ensures that documents referred to in the agenda are forwarded to members of the Committee sufficiently in advance for their perusal. Any member of the Committee may propose the inclusion of additional items on the agenda, or at any Committee meeting raise subjects that are not on the agenda for that meeting.

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

### **3. RESPONSIBILITIES**

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

#### **3.1 Financial Disclosure**

- Review the interim financial reports and annual financial statements accompanied by the external auditors' report, management's discussion and analysis and press releases regarding the financial results before their public release and recommend their approval to the Board. This review includes discussions with management and the external auditors regarding the interim financial reports and the annual financial statements and material questions concerning the accounting principles and practices of the Company.
- Review the content of all public documents disclosing financial information, including all prospectuses, the management information circular, annual information form and annual report of the Company before their public release and recommend their approval to the Board.
- Review and monitor practices and procedures relating to the certifications by the Chief Executive Officer and the Chief Financial Officer and Secretary with respect to internal

control over financial reporting and disclosure controls and procedures to ensure compliance with applicable securities legislation.

- Review and discuss with management and the external auditors the appropriateness, quality and disclosure of the accounting principles and practices, the underlying assumptions and the reporting practices of the Company, and the appropriateness of any significant changes thereto or any proposed material change, and ensure they are appropriate and in compliance with the applicable laws and regulations.
- Review, examine and discuss the foreseeable repercussions of any new audit and accounting standards or new securities rules with management and the external auditors.
- Review, at least annually, the Company's Normal Course Issuer Bid and recommend to the Board its approval, renewal or cancellation.
- Review, at least annually, the dividends policy and recommend the approval by the Board of all payments of dividends, if any.
- Review the disclosure of the pension plans and other post-employment benefits of the Company in the annual financial statements.

### 3.2 Risk Management and Internal Control

- Periodically review, evaluate and discuss with management and internal audit the risk factors inherent to the Company (in particular, reputational, financial, strategic, compliance and operational risks) and ensure that appropriate measures are in place to enable management to identify and manage them effectively.
- Oversee the application and respect of the Environmental Policy of the Company and make periodical reports to the Board with respect thereto.
- Oversee the application and respect of the food quality and safety policy of the Company and make periodical reports to the Board with respect thereto.
- Periodically review and monitor the presence and the effectiveness of the Company's internal control over financial reporting through reports prepared by management, the internal auditor and the external auditors (which reports would also identify weaknesses or would make recommendations in respect of controls that could have a material impact on the financial information of the Company), as well as the measures implemented to remedy the situation and ensure proper follow-up.
- Periodically evaluate and assess the adequacy of the disclosure controls and procedures of the Company, including the procedures set up by the Company to communicate publicly its financial information taken or derived from its financial statements.
- Establish and maintain a policy concerning the disclosure of material information.

- Review management’s report on transactions with related parties.
- Review any legal matters (including litigation proceedings, claims and contingencies) that could have a material effect on the financial statements or on the affairs of the Company and ensure that they are appropriately disclosed in the financial statements.
- Ensure that the annual information form and the management information circular include the required and mandatory information concerning the Committee.
- Review communications with the Autorité des marchés financiers or any other regulatory authority regarding the financial statements and continuous disclosure documents.
- Establish and maintain procedures regarding:
  - the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters;
  - the confidential and anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
- Review the delegation of authority and oversee its application.

### 3.3 Internal Audit

- Oversee the internal audit function.
- Review and approve annually the internal audit plan prepared by the person responsible for internal audit.
- Review periodically the reports, observations and recommendations of the internal auditor intended for the Committee, as well as the implementation of the recommendations.
- Meet periodically with the person responsible for internal audit, with and without the presence of management and the external auditors. During private meetings, discuss, among other things, the level of cooperation received from management, any unresolved differences of opinion, if any, the risk management framework and the internal control systems in place.
- Evaluate the performance of the internal audit function at least once per year.

### 3.4 External Auditors

- Oversee the work of the external auditors retained to prepare or issue the auditors’ report or render other audit, review, examination or certification services to the Company and resolve disagreements, if any, between management and the external auditors regarding financial reporting.

- Obtain and review annually a report by the external auditors of the Company describing the external auditors' quality control procedures.
- Recommend to the Board the appointment of external auditors for the upcoming fiscal year and the fees for all audit, review or attest services.
- Review, discuss with the external auditors and adopt annually the audit plan prepared by the external auditors, determine whether it meets the needs of the Company and, at least once per year, obtain an official written declaration from the external auditors attesting to their independence and delineating all relationships the external auditors have with the Company which may affect the independence and objectivity of the external auditors.
- Review and evaluate, at least once per year, the independence and performance of the external auditors, the qualifications and quality of their engagement team and the quality of communications and interactions between the Committee, the external auditors and management.
- Review the external auditors' letters of recommendations to management, management's reply thereto and the implementation of the recommendations.
- Adopt and maintain a policy concerning the prior approval of all services not related to the audit which the external auditors of the Company may render to the Company and its subsidiaries in accordance with applicable laws and regulations, as well as the fees for such services, and ensure the enforcement of and compliance with such policy.
- Examine and approve the hiring policy of the Company with respect to former or current partners and employees of current and former external auditors of the Company, and ensure the enforcement of and compliance with such policy.
- Meet periodically with the external auditors, with and without the presence of management, in regard to the interim financial reports and annual financial statements and discuss with them (i) the results of the audit or review, as applicable, (ii) the assessment of the control systems in place and their recommendations, (iii) any significant risks or exposures identified by the external auditors, and (iv) any other material matter relating to the audit or review of the financial statements, including the level of cooperation received from management and the internal auditor and any material differences of opinion between the external auditors and management that occurred during the course of the audit or review of the financial statements.
- Ensure that there is a rotation of the lead engagement partner, engagement quality review partner and other key audit partners, as per the CPA Code of Professional Conduct.
- Review any other issue which the Board, in the opinion of the external auditors, should be informed about and report thereon to the Board.

### 3.5 Evaluation of the Committee

- Annually assess the accomplishments and performance of the Committee and submit the result of this assessment to the Board.
- Annually review the mandate of the Committee and recommend any changes to the Board.

### 3.6 Other Responsibilities

- Carry out any other duty related to the performance of its mandate, including, in particular, any investigations about matters related to its mandate.
- Carry out any other mandate which the Board may entrust to it from time to time.
- Act as a channel of communication between management, the internal auditor, the external auditors and the Board.