



SUPREMEX INC.

ANNUAL INFORMATION FORM

March 30, 2020

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EXPLANATORY NOTES

The information in this Annual Information Form is stated as at December 31, 2019, unless otherwise indicated.

Unless otherwise indicated or the context otherwise requires, “Supremex” or the “Company” refers to Supremex Inc. together with its subsidiaries and predecessors. References to “Management” in this Annual Information Form are to the executive officers of Supremex. Any statements in this Annual Information Form made by or on behalf of Management are made in such persons’ capacities as officers of Supremex and not in their personal capacities.

For an explanation of the capitalized terms and expressions and certain defined terms, please refer to the “Glossary of Terms” at the end of this Annual Information Form. Unless otherwise indicated, all dollar amounts are expressed in Canadian dollars. References to “\$” are to Canadian dollars and references to “U.S.\$” or “U.S. dollars” are to United States dollars.

FORWARD-LOOKING INFORMATION

This Annual Information Form contains “forward-looking information” within the meaning of applicable Canadian securities laws, including (but not limited to) statements about the EBITDA, Adjusted EBITDA and future performance of Supremex and similar statements or information concerning anticipated future results, circumstances, performance or expectations. Forward-looking information may include words such as anticipate, assume, believe, could, expect, goal, guidance, intend, may, objective, outlook, plan, seek, should, strive, target and will. Such information relates to future events or future performance and reflects current assumptions, expectations and estimates of management regarding growth, results of operations, performance, business prospects and opportunities, Canadian economic environment and liability to attract and retain customers. Such forward-looking information reflects current assumptions, expectations and estimates of management and is based on information currently available to Supremex as at the date of this Annual Information Form. Such assumptions, expectations and estimates are discussed throughout our Management, Discussion and Analysis (“MD&A”) for the year ended December 31, 2019.

Forward-looking information is subject to certain risks and uncertainties, and should not be read as a guarantee of future performance or results and actual results may differ materially from the conclusion, forecast or projection stated in such forward-looking information. These risks and uncertainties include but are not limited to the following: global health crisis, economic cycles, decline in envelope consumption, increase of competition, growth by acquisition, reliance on key personnel, raw material price increases, exchange rate fluctuation, concerns about protection of the environment, availability of capital, credit risks with respect to trade receivables, interest rate fluctuation, potential risk of litigation, contributions to employee benefits plans, cyber security and data protection, no guarantee to pay dividends and past cash payments. Such risks and uncertainties are discussed throughout this Annual Information Form and, in particular, in “Risk Factors”. Consequently, we cannot guarantee that any forward-looking statements or information will materialize. Readers should not place any undue reliance on such forward-looking information unless otherwise required by applicable securities legislation. The Company expressly disclaims any intention and assumes no obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

CORPORATE STRUCTURE

Name, Address and Incorporation

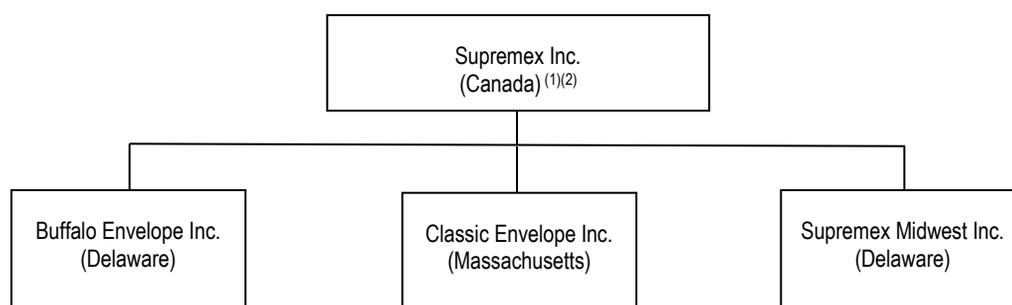
Supremex Inc. is governed by the *Canada Business Corporations Act* (the “CBCA”) pursuant to articles of arrangement dated January 1, 2011. Supremex is a reporting issuer in all the provinces of Canada and its common shares are publicly traded on the Toronto Stock Exchange (“TSX”) under the symbol “SXP”. The Company’s registered office is located at 7213 Cordner, LaSalle, Quebec, H8N 2J7.

Supremex resulted from conversion on January 1, 2011, of Supremex Income Trust (the “Fund”) into a public corporation named Supremex Inc. pursuant to a court-approved plan of arrangement (the “Arrangement”) under section 192 of the CBCA. As a result of the Arrangement, unitholders (the “Unitholders”) of the Fund received, for each unit (the “Units”) of the Fund held, one common share (the “Shares”) of Supremex and consequently, the holders of Units became the holders of Shares of Supremex (the “Shareholders”). The Fund was an unincorporated open-ended trust established under the laws of the Province of Quebec by a fund declaration of trust made as of February 10, 2006, as amended and restated on March 31, 2006.

Accordingly, references to “Supremex” in this Annual Information Form for periods prior to January 1, 2011, are references to the Fund and /or its subsidiaries, as the context may require.

Intercorporate Relationship

The following chart illustrates the structure of Supremex (including jurisdiction of establishment/incorporation of the various entities) as of March 30, 2020.



(1) Supremex Inc. owns, directly or indirectly, all of the shares of Buffalo Envelope Inc., Classic Envelope Inc. and Supremex Midwest Inc.

(2) Certain subsidiaries of the Company have been omitted because, at the most recent fiscal year end, none of them exceeded 10% of the consolidated assets of the Company or more than 10% of the consolidated revenue of the Company, and these subsidiaries, in the aggregate, did not represent more than 20% of the consolidated assets of the Company or more than 20% of the consolidated revenue of the Company.

GENERAL DEVELOPMENT OF THE BUSINESS

History of Supremex

The Supremex business was founded by four envelope industry executives in 1977 through the incorporation of Enveloppe Supreme Inc.

In 1990, the Schrodgers Canadian Buy-out Fund and Company, Limited (“Schrodgers”), an investment fund, acquired a 78% interest in Supremex, while the management group retained the remainder (22%). In 1991, Supremex acquired the assets of Innova Envelope from Abitibi-Price Inc., creating the largest envelope manufacturer in Canada. Supremex was sold, by Schrodgers and the management group, to Cenveo Inc. (“Cenveo”) (then Mail-Well Holdings Inc.) in 1995.

After 1995, Supremex, as a subsidiary of Cenvéo, continued to expand through the completion of several strategic acquisitions. In 1996, Supremex acquired the assets of PNG Products Inc., PAC National Group and PNG Enveloppe Internationale Inc., which until then was the only other national envelope manufacturer and marketer in Canada. In 1998, Supremex acquired the assets of the envelope division of Quebec-based Dominion BlueLine Inc. In 2000, Supremex acquired Ontario-based CML Industries Ltd., which included Regional Envelope Products Inc., Transit Envelope Inc. (Montreal), Precision Fine Papers Inc. and CML's Specialty Paper Products division. In 2001, Supremex commenced the management of the consumer business of Cenvéo operations in Buffalo, New York. Precision Fine Papers Inc., a paper sheeter and converter, was sold in September 2005.

In November 2005, Cenvéo publicly announced its intention to evaluate the sale of its Canadian operations to deleverage Cenvéo's balance sheet and redeploy its capital. This resulted in an Initial Public Offering in March 2006, which was completed in March 2007 with the sale by Cenvéo of the balance of its indirect retained interest in Supremex.

On August 9, 2007, and September 16, 2008, Supremex acquired substantially all of the assets of NPG Envelope and Montreal Envelope respectively. On September 16, 2010, Supremex also acquired substantially all the assets of Pioneer Envelope Ltd.

On January 1, 2011, Supremex completed its conversion from an income trust structure to a corporation. As a result, Unitholders of the Fund became Shareholders, receiving one Share for each Unit held of the Fund. The Units of the Fund were delisted from the TSX and trading of the Shares on the TSX commenced under the symbol "SXP".

On October 8, 2015, Supremex acquired all of the outstanding shares of Classic Envelope Inc. ("Classic Envelope"), a manufacturer and printer of envelopes based in Massachusetts and serving the greater Boston and New York City areas.

On December 1, 2015, Supremex acquired substantially all of the assets of Premier Envelope Ltd. ("Premier Envelope") and affiliated operating entities, an established manufacturer of stock and custom envelopes, principally operating in Western Canada.

On August 29, 2016, Supremex acquired substantially all of the assets of Indiana-based Bowers Envelope Company, Inc. ("Bowers Envelope") a manufacturer and printer of envelopes strategically located at "The Crossroads of America".

On November 28, 2016, Supremex acquired substantially all of the assets of Durabox Paper Inc. ("Durabox Paper"), a manufacturer of specialty corrugated paper boxes located in Lachine, Quebec.

On December 23, 2016, Supremex completed the acquisition of Printer Gateway Inc. ("Printer Gateway"), a Toronto-based Web-to-Print printer servicing the communications and graphic arts industry. On January 22, 2018, the Company closed its Printer Gateway operations. After a challenging post-acquisition transition, a swift decision was made to close this business and dedicate the Company's resources to further grow its packaging operations, which are at the core of the growth and diversification strategy of the Company.

On July 20, 2017, the Company acquired all of the outstanding shares of Stuart Packaging Inc. ("Stuart Packaging"), a leading eco-friendly provider of premium quality folding carton packaging for the consumer market. Stuart Packaging offers packaging and finishing solutions for some of the largest multinational companies operating in the cosmetics, nutraceutical, fragrance and pharmaceutical industries.

On April 30, 2018, the Company acquired all of the outstanding shares of Groupe Deux Printing Inc. ("G2 Printing") and Pharmaflex Labels Inc. ("Pharmaflex"), of Laval, Quebec, a leading manufacturer of premium quality folding carton packaging and labels primarily for the pharmaceutical industry. G2 Printing is known for its in-house pre-press operations and leading-edge manufacturing and printing technology.

On February 18, 2020, Supremex announced the acquisition of substantially all of the assets of Royal Envelope Ltd. and Envelope Royal Inc. (together “Royal Envelope”), a leading Eastern Canada based envelope manufacturer and printer. Royal Envelope generated approximately \$30 million of revenue during their most recent fiscal year mainly from the direct sale of envelopes and printing services. Royal Envelope employs approximately 135 people at its two facilities located in Concord (Ontario) and in LaSalle (Quebec).

BUSINESS OF SUPREMEX

Overview

Supremex is a leading North American manufacturer and marketer of envelopes and a growing provider of paper-based packaging solutions that generated revenue of \$191.7 million in 2019. Including the February 18, 2020 acquisition of Royal Envelope, the Company operates out of 13 facilities across six provinces in Canada, has three facilities in the United States and employs approximately 935 people. Supremex’ growing footprint allows it to efficiently manufacture and distribute paper and packaging solutions designed to the specifications of major national and multinational corporations, resellers, government entities, SMEs and solutions providers.

The Company manufactures a broad range of stock and custom envelopes in an array of styles, shapes and colours, which allows it to offer a high degree of flexibility and customization. It also manufactures and distributes a diverse range of packaging and specialty products, including corrugated boxes, high quality folding carton packaging and e-Commerce Fulfillment Packaging solutions. Other packaging and specialty products include the Conformer Products®¹, polyethylene bags for courier applications, bubble mailers, Enviro-logiX®² and Tyvek®³ and other related products such as RFID protective envelopes, X-ray envelopes, medical and file folders, repositionable notes, membership cards as well as labelling products.

Supremex has strong relationships with a diversified and loyal base of customers in Canada and increasingly in the Northeastern United States. The Company has more than 4,000 clients, none of whom represents more than 10% of revenues.

Since the fourth quarter of 2019, the Company reports its revenue in two distinct segments: the manufacturing and sale of envelopes segment and the manufacturing and sale of paper-based packaging solutions and specialty products segment. In 2019, envelope revenue accounted for 71.5% of the Company’s total revenue, while revenue from packaging and specialty products represented 28.5% of its total revenue.

In 2019, Supremex’ total revenue were mostly generated in the Eastern and Central regions of Canada and in the United States, representing, respectively, 36%, 27% and 25% of the Company’s total revenue. The Western region of Canada followed with 12% of the Company’s total revenue.

To sustain long-term revenue and profitability growth, Supremex is pursuing a three-pronged diversification strategy.

1. Strengthening its market-leading position in the Canadian envelope market by leveraging its national footprint through capacity allocation and consolidation opportunities.
2. Pursuing growth opportunities in the U.S. envelope market both organically and through acquisitions, focusing on a large and attractive market in the Northeast and Midwest of the U.S.

¹ Conformer® is a registered trademark of Conformer Products, Inc.

² Enviro-logiX® is a registered trademark of Envirologix Inc.

³ Tyvek® is a registered trademark of E.I. du Pont de Nemours, Inc.

- Building Supremex' packaging capabilities organically and through acquisitions, with the objective of significantly growing its revenues from this attractive growth market, specifically in the value-added folding carton and e-commerce markets.

Revenue information

(In millions of dollars)

	Three-month periods ended December 31		Twelve-month periods ended December 31	
	2019	2018	2019	2018
Canadian Envelope	\$23.9	\$25.8	\$91.7	\$94.8
Volume change	-14.2%	-7.4%	-12.6%	-10.9%
Average selling price change	8.1%	9.2%	10.6%	4.2%
Total change	-7.3%	1.1%	-3.3%	-7.2%
U.S. Envelope	\$11.9	\$12.6	\$45.5	\$43.4
Volume change	-7.1%	3.5%	-2.7%	-4.0%
Average selling price change (in CAD)	1.5%	11.2%	7.7%	6.8%
Total change	-5.7%	15.1%	4.8%	2.5%
Packaging & Specialty Products				
Canada & U.S.	\$13.4	\$15.8	\$54.5	\$56.9
Total change	-15.0%	22.2%	-4.1%	64.4%
Total Revenue	\$49.2	\$54.2	\$191.7	\$195.1
Revenue change	-9.2%	9.7%	-1.8%	8.9%

Industry Overview

The North American Envelope Market

The Canadian envelope manufacturing industry is relatively concentrated with the top three producers accounting for approximately 90% of domestic sales, according to Management's estimates. Management estimates that the Canadian envelope industry generated approximately \$150 million of revenues in 2019.

The American envelope manufacturing industry is a mature and modestly declining market of approximately US\$2.3 billion in annual sales in 2017 based on a volume of 143 billion units, according to the Envelope Manufacturers Association (EMA)⁴.

Management views the United States as a very attractive market with a significant share of the volume located in the Northeast and Midwest. Supremex has been actively pursuing growth opportunities in this market, taking advantage of its proximity to its largest manufacturing facilities in Canada, a fragmented competitive landscape and a favourable exchange rate environment.

In order to strengthen its position in the United States and become a bona fide regional player in this market, Supremex acquired two envelope manufacturers. In October 2015, the Company acquired Massachusetts-based Classic Envelope, adding to its existing New York-based Buffalo Envelope Inc. operations and, in August 2016,

⁴ [U.S. Envelope Shipments and Sales](#), Envelope Manufacturer's Association.

acquired substantially all of the assets of Indiana-based Bowers Envelope, a manufacturer and printer of envelopes strategically located at “The Crossroads of America”.

Including the February 2020 acquisition of Royal Envelope, the Company’s 2019 pro-forma revenues from the North American envelope market were \$167 million. Management estimates that Supremex is among the five largest envelope manufacturers in North America.

Envelope Trends

A significant majority of envelopes manufactured in Canada are used for mailing purposes and the remainder are used for non-mail purposes. Examples of envelopes used for non-mail purposes include, among others, payroll envelopes and photo product envelopes.

Transactional mail volumes are driven by business-to-consumer (B2C) activity, primarily in the form of bills and statements from financial institutions, telecommunications companies and governmental entities. Transactional mail volumes are positively influenced by the overall growth of the economy, the population and the number of households.

Trends such as bill consolidation, whereby a service provider combines the billing of multiple services into one invoice, and the continued adoption of Internet based electronic bill presentment and payment have a negative impact on transactional mail volumes and related items such as envelopes.

Transactional Mail (as referred to by Canada Post) or First-Class Mail (as qualified by the U.S. Postal Service) volumes delivered by national postal services are a good proxy for trends in the broader envelope industry. Canada Post reported in its 2019 third quarter results⁵, that Transactional Mail (letters, bills and statements) volumes were down 8.3% in the first three quarters of 2019 compared to the same period in 2018.

The same long-term trends are at work in the United States, historically with a more modest rate of decline than the Canadian market. The U.S. Postal Service’s fiscal year 2019 First-Class Mail volumes declined by approximately 3.1%⁶ year-over-year.

Packaging and Specialty Products Trends

The packaging market is made up of five principal types of packaging: paper and board, rigid plastic, glass, flexible plastic, beverage cans and other. Paper and board (folding, corrugated board and cardboard for liquids) represent the largest subsector with approximately 34%⁷ of the global consumer packaging market. The rise in e-commerce and consumer trends have been significant growth drivers for the global packaging market. With diversified attractive end markets (such as food, various consumer products, beverage, health care and cosmetics), the packaging market represents a complementary and diversified growth market for Supremex which requires many of the same core competencies.

Corrugated paper is comprised of a combination of two components made from container board paper with two outer layers of liner glued to fluted medium for strength and structure in the middle. It is lightweight, cost-effective and has important structural capabilities that make it an ideal container for shipping. In the United States, the corrugated packaging and display industry represented revenues of US\$33.1 billion in 2017⁸. Driven by e-commerce and online-shopping trends, global demand for corrugated packaging is expected to grow by 4.0% per annum through 2025, reaching 200 million tones in 2025, according to a study by Smithers Pira⁹.

⁵ [Canada Post Corporation, November 22, 2019, Press Release announcing the results for the nine-month period ended September 29, 2019.](#)

⁶ [USPS, November 14, 2019, Press Release announcing the results for the fiscal year ended September 30, 2019.](#)

⁷ EY, January 2013. Unwrapping the Packaging Industry, Seven Success Factors.

⁸ www.corrugated.org/corrugated-packaging

⁹ [Smithers Pira](#), March 2020, The Future of Corrugate Packaging to 2025.

Parcel deliveries by Canada Post and the U.S. Postal Service is a good indicator of long term trends in the corrugated container industry and e-commerce in general. Canada Post reported in its latest quarterly results¹⁰, an increase of 5.8%, in the first three quarters of 2019, in Parcels volume compared with the equivalent period of 2018. During their fiscal year 2019, USPS reported¹¹ their Shipping & Packaging volume was 0.3% higher than the previous year.

Folding carton boxes are made from paperboard and combine unique structural and design capabilities which provide protection, traceability and an appealing point of sale value. They are widely used by the consumer staples industry – food, pharmaceuticals, cosmetics, personal care, etc. The Paperboard Packaging Council¹² predicts that between 2019 and 2024, the U.S. folding carton shipments will be characterized by stable growth, at 0.8% per annum.

Product and Service Offering

For almost 40 years, Supremex has developed its core paper substrate and converting expertise to become one of the largest manufacturers and distributors of envelopes and specialty products in North America. The Company manufactures a broad range of envelopes in an array of styles, shapes and colours, which allows it to offer its customers a high degree of flexibility and customization. The Company's products includes: stock envelopes, custom envelopes, packaging and specialty products.

As part of its envelope offering, Supremex offers its customers graphic arts, warehousing and logistics services related to its products. Graphic arts services include basic design and creative activities through to final customer-approved proofs for envelope printing. Warehousing and distribution of its products are provided to customers seeking to minimize the total cost of buying envelopes, while ensuring availability of supply and timely delivery.

Stock Envelopes

Supremex maintains the broadest stock envelope product line in Canada and an extensive array in the United States market. The stock envelope is a generic product that can be used by customers for a variety of uses.

Stock envelopes range from the smallest greeting card or coin envelope to jumbo mailers and are made of various colours and grades of paper.

Stock envelopes are mainly sold through fine paper merchants, independent envelope printers and commercial and office stationery suppliers. Management has determined that it is more cost effective for Supremex to sell stock envelopes through these distribution channels, rather than conducting its own marketing, sales and distribution efforts to sell them directly to end users.

Custom Envelopes

Custom envelopes are manufactured according to customer specifications, which may require the collection of over 100 different pieces of information. Examples of custom features include size, colour, print, paper quality and window characteristics. Management believes that custom envelopes represent the majority of all envelopes consumed in the Canadian market. The method of procurement of custom envelopes by customers varies from end users buying directly for their own use to solution providers buying on behalf of large end users, and Supremex has been successful in adapting itself to various procurement methods in the marketplace.

¹⁰ [Canada Post Corporation, November 22, 2019, Press Release announcing the results for the nine-month period ended September 29, 2019.](#)

¹¹ [USPS, November 14, 2019, Press Release announcing the results for the fiscal year ended September 30, 2019.](#)

¹² [2019 Paperboard Packaging Playing Field, Trends Report dated March 20, 2019.](#)

Packaging and Speciality Products

Supremex offers a diverse range of packaging products and solutions. The Company manufactures packaging solutions made from corrugated and utility grade papers which address the high-growth e-commerce and food packaging markets, as well as folding carton packaging solutions which are aimed at high-value markets such as cosmetics, nutraceutical and pharmaceutical. Other packaging and specialty products include the Conformer Products®¹³, polyethylene bags for courier applications, bubble mailers, Enviro-logiX®¹⁴ and Tyvek®¹⁵ and other related products such as RFID protective envelopes, X-ray envelopes, medical and file folders, repositionable notes, membership cards as well as labelling products.

Distribution Channels - Envelope

Supremex typically distributes its envelope products within approximately 800 kilometres of its manufacturing facilities to all major geographic markets across Canada, the Northeast and Midwest United States via the following distinct distribution channels:

Resellers of Stock Envelopes

The resellers of stock envelopes consist of distributors who resell Supremex' envelopes to printers and to small and large businesses, which include fine paper merchants, independent envelope printers and stationers. Management believes that Supremex' unique combination of a broad stock envelope offering, next-day product delivery and national distribution network provide key selling propositions for resellers.

Resellers and End Users of Custom Envelopes

The resellers of custom envelopes consist of intermediaries who resell Supremex' envelopes to end users. Such resellers include solution providers (such as forms manufacturers, large printers, and commercial and office stationery suppliers) and process providers (such as statement preparation providers).

Supremex believes that its broad custom envelope offering, flexible and highly customized manufacturing capabilities and national distribution network provide compelling value propositions to resellers of custom envelopes. Supremex also uses its sales force to market custom envelopes directly to corporate end users of custom envelopes.

Distribution Channel - Packaging

Direct and Wholesale Distribution of Packaging and Specialty Solutions

The Company sells its packaging and specialty products through a mix of direct and indirect distribution channels. Its corrugated packaging solutions are sold to national and local distributors who in turn distribute these boxes to thousands of end-user customers. Supremex also sells its corrugated packaging solutions directly to e-retailers, e-commerce fulfilment providers and other customers mainly on a made-to-order basis.

Because of their higher degree of customization, folding carton solutions are primarily sold directly to the end-user customer or their third party manufacturers through long term supply agreements. These agreements require extensive audits, certification and integrated quality systems with each customer, creating long standing relationships.

Specialty products are primarily sold across the organisation to envelope and packaging customers.

¹³ Conformer® is a registered trademark of Conformer Products, Inc.

¹⁴ Enviro-logiX® is a registered trademark of Envirologix Inc.

¹⁵ Tyvek® is a registered trademark of E.I. du Pont de Nemours, Inc.

Customers

Supremex sells its products to large and small customers in a variety of industries. The Company maintains long-term relationships with several end users, including leading financial institutions, telecommunications and utility companies, as well as federal, provincial and municipal governmental entities. Supremex also maintains strong relationships with customers in various resale distribution channels.

The packaging solutions business mainly sells to customers operating in the consumer market such as large multinational customers in the health and beauty, nutraceutical and pharmaceutical primarily in Quebec and U.S. Northeast; large food products distributors in Quebec, Ontario and the U.S. Northeast; and e-commerce retailers.

The envelope manufacturing business is characterized by individual orders for specific manufacturing jobs and Supremex does not typically enter into long-term agreements with its customers. On the packaging side, agreements vary according to the type of packaging and customer. Typically, long term RFP-based agreements are entered into with certain larger food distributors, supply agreements are entered into with multinational folding carton customers and individual orders are more typical for e-retailers.

Raw Materials and Suppliers

The principal raw materials used by Supremex are paper, board, window film, boxes, adhesives and ink.

In 2019, paper and board, net of paper and board waste revenue, represented approximately 71% of Supremex' raw material costs. The purchase price of paper and board varies according to grades and suppliers, and is the result of individual negotiations with such suppliers. However, the net price paid from one supplier to the other is relatively similar and is based on the market price in effect from time to time.

Supremex strategically allocates its raw material purchasing from a variety of suppliers mainly located in Canada and United States based on price and security of supplies. Supremex has never experienced a business interruption due to insufficient supply of raw materials.

Due to the variability in the prices of raw materials, envelope and packaging manufacturing costs are subject to fluctuations over time and such variations in costs, including the effect of currency exchange rates, are generally passed on to Supremex' customers.

Operations and Facilities

Supremex is organized into three regions across Canada: Western region (British Columbia, Alberta, Saskatchewan and Manitoba), Central region (Ontario) and Eastern region (Quebec and the Atlantic provinces). In the United States, Supremex operates in two regions: in the Northeast (Buffalo Envelope Inc. in New York and Classic Envelope in Douglas, Massachusetts) and in the Midwest (Bowers Envelope in Indianapolis, Indiana). Supremex' head office is located at its LaSalle facility in Quebec.

Each region is managed based on the unique characteristics of local markets and customers and local management teams have significant autonomy in the way their respective regions operate. However significant coordination of operations between each region is a priority to benefit from scale, efficiencies and performance. The Supremex corporate office sets various strategic priorities and financial targets for the regions and leverages its national purchasing power and provides other support services.

National Footprint

Growing U.S. Presence

In October of 2015, Supremex expanded its reach into the U.S. envelope market by acquiring Massachusetts-based Classic Envelope. In order to be better positioned to serve key strategic markets, Supremex strengthened its Canadian envelope platform by acquiring, in December 2015, Premier Envelope, one of Canada's largest manufacturers of envelopes operating three facilities and focused on the Western Canadian market. In August of 2016, the Company further expanded its reach in the U.S. by acquiring Indiana-based Bowers Envelope, growing Supremex' reach into the Midwest. In February 2020, the Company acquired Canadian-based Royal Envelope, to improve efficiencies and to provide synergies in envelope platform.

Growing in packaging industry

In the recent past years, Supremex acquired businesses in order to build its packaging platform, thus adding four new packaging facilities.

Including the February 2020 acquisition of Royal Envelope, Supremex now has 16 manufacturing facilities, 13 (in red) of which are located in Canada and three (in blue) in the Northeastern and in the Midwestern United States.

Supremex' Facilities



 Canadian Facility  U.S. Facility

Supremex currently manufactures its products at 16 facilities, two of which are owned by Supremex and 14 are leased. The following table sets out certain information regarding Supremex' facilities.

Location	Type	Approximate Square Footage	Owned/Leased	Lease Expiry Date
Western Region				
Richmond, BC	Manufacturing & Sales	27,000	Leased	Nov. 30, 2025
Edmonton, AB	Manufacturing & Sales	32,000	Leased	August 31, 2022
Winnipeg, MB	Manufacturing & Sales	38,000	Leased	October 31, 2022
Central Region				
Etobicoke, ON	Manufacturing & Sales	96,000	Owned	n/a
Mississauga, ON	Manufacturing	85,500	Leased	Sept. 30, 2024
Mississauga, ON	Manufacturing & Sales	6,250	Leased	Aug. 31, 2021
Condord, ON	Manufacturing & Sales	57,000	Leased	Feb. 28, 2025
Eastern Region				
LaSalle, QC	Manufacturing & Sales	139,000	Owned	n/a
Lachine, QC	Manufacturing & Sales	144,000	Leased	July 31, 2028
Mount Royal, QC	Manufacturing & Sales	68,000	Leased	Dec. 31, 2021
Laval, QC	Manufacturing & Sales	41,500	Leased	Feb. 28, 2024
Laval, QC	Manufacturing & Sales	14,000	Leased	Feb. 28, 2024
Moncton, NB	Manufacturing & Sales	15,000	Leased	May 31, 2021
U.S. Region				
Buffalo, NY	Distribution & Sales	11,600	Leased	March 31, 2021
Douglas, MA	Manufacturing & Sales	150,000	Leased	Sept. 30, 2020
Indianapolis, IN	Manufacturing & Sales	75,000	Leased	June 30, 2027

Seasonality

Supremex' envelopes revenue is subject to the seasonal advertising and mailing patterns of its customers. The number of envelopes sold by Supremex is generally higher during fall and winter mainly due to the higher number of mailings related to events including the return to school, fund raisers and the holiday and tax seasons. The number of envelopes sold by Supremex is generally lower during spring and summer in anticipation of a slowdown in mailing activities of businesses during the summer.

Most revenues from packaging and specialty products are not subject to seasonal patterns (i.e. specialty folding cartons for large multinational customers). Only a small portion of such revenues is subject to seasonal patterns related to the holidays and sporting events (i.e. innovative protective packaging solutions for e-commerce or corrugated boxes for food delivery). As such, there is currently little to no seasonal effect from packaging and specialty product on Supremex' total revenue.

Therefore, revenues from any single quarter may not be indicative of the performance which may be expected for the full year. However, to maintain production efficiencies, Supremex utilizes warehouse capabilities to inventory envelopes as required to counter these predictable seasonal variations in sales volumes.

Employees

Including the February 2020 acquisition of Royal Envelope, Supremex has a total of approximately 935 employees, of which approximately 80% is involved in production activities and the remainder in sales and administration activities.

As at March 30, 2020, all of Supremex' workforce is non-unionized and the Company believes that its relationship with its employees is good.

The LaSalle (Quebec) facility is not covered by a union certification, but has an employee association which has adopted an employee manual. The employee manual contains personnel policies for hourly paid production and warehouse employees and is aimed at informing employees about their working conditions, in a manner similar to a standard collective agreement. The rights, privileges and benefits defined in the employee manual apply to all permanent employees of Supremex in the LaSalle (Quebec) facility. The current employee manual has been effective since January 1, 2018, and is valid for a three-year period until a new agreement is signed between the parties.

Competition

The Canadian envelope manufacturing industry is comprised of both domestic and foreign manufacturers. Management estimates that, in addition to Supremex, there are fewer than ten domestic manufacturers of envelopes, all of which are owner-operator businesses that focus their efforts on local Canadian envelope markets. Foreign manufacturers are almost exclusively U.S.-based and generally concentrate their efforts in Canada on high volume purchasers of envelopes.

With the exception of a selected national customer accounts, manufacturers of envelopes in Canada supply local customers. Manufacturing is locally organized due to the geographic scale of Canada and the freight costs involved in the transportation of envelopes. Consequently, most envelopes are produced and consumed locally wherever possible to maximize cost efficiency and speed to market and to permit press approvals, local warehousing and just-in-time purchasing strategies.

Supremex believes that its primary competitors in the Canadian envelope industry consist of both large manufacturers located in the United States, and of smaller Canadian local competitors. The large manufacturers located in the United States, may in the future increase their market share and penetration of the Canadian envelope market. The largest manufacturers operating in the U.S. are Cenveo and Tension Envelope. Since its acquisition of Classic Envelope and Bowers Envelope in 2015 and 2016 respectively, management estimates Supremex is among the top five envelope producers in North America.

The North American paper-based consumer packaging landscape is comprised of vertically integrated and non-integrated national and regional paper and packaging companies. Two thirds are large vertically integrated producers that supply and convert paperboard and containerboard and the remaining third are smaller non-integrated suppliers.¹⁶

Environmental Regulations

Supremex' operations and real estate property are subject to a legislative regime including laws, regulations, guidelines, policies, permits and other approvals relating to environmental matters, including those governing the use, storage, treatment, transportation and disposal of hazardous materials, or the emission, release or discharge of such materials into the environment, the remediation of contamination and occupational health and safety matters (collectively, the "Environmental Laws"). Some of these Environmental Laws may impose joint and several liability on lessees and owners or operators of facilities for the costs of investigation or remediation of contaminated properties, based on their ownership or management and control of real properties, regardless of current ownership, fault, negligence or the legality of the original disposal or release.

¹⁶ According to public company disclosures and management estimates.

Supremex generates both hazardous and non-hazardous waste. Environmental liability is a risk associated with Supremex' business, principally with regard to past and present business operations involving the use, storage, handling and contracting for recycling or disposal of hazardous and non-hazardous materials such as washes, inks, alcohol-based products, plate solvent and photographic fixer.

The facilities owned or operated by Supremex have been in operation for many years and, over such time, Supremex and the prior owners or operators of such properties may have used, generated or disposed of substances, some of which are or may be considered hazardous. Some of these facilities are located in industrial areas where there could have been migratory contamination from adjacent sources. Accordingly, it is possible that additional environmental liabilities may arise in the future as a result of the use, generation, release and disposal of any such hazardous and non-hazardous substances.

DIVIDENDS AND DISTRIBUTION

Supremex' current dividend policy is to declare quarterly dividends. The dividend policy is subject to the discretion of the Board of Directors and may vary depending on, among other things, Supremex' earnings, financial requirements, compliance to the covenants of the Senior Secured Revolving Facility (the "Credit Agreement") and the satisfaction of the solvency tests imposed by the CBCA for the declaration of dividends and other conditions existing at such future time.

The following table sets forth the quarterly dividend per Share declared by Supremex for the last three most recently completed years:

Month	2019	2018	2017
January	—	—	—
February	\$0.065	\$0.065	\$0.06
March	—	—	—
April	—	—	—
May	\$0.065	\$0.065	\$0.06
June	—	—	—
July	—	—	\$0.06
August	\$0.065	\$0.065	—
September	—	—	—
October	—	—	—
November	\$0.065	\$0.065	\$0.065
December	—	—	—

All decisions pertaining to the Company's dividend policy are taken at its quarterly Board of Directors meeting which usually takes place 30 to 45 days after the end of each quarter.

DESCRIPTION OF CAPITAL STRUCTURE

The authorized share capital of Supremex consists of an unlimited number of Shares and an unlimited number of preferred non-voting shares, issuable in series. As of March 30, 2020, there were 28,130,469 Shares and no preferred shares issued and outstanding. The rights, privileges, restrictions and conditions attaching to the Shares and the preferred shares are as follows:

Common Shares

Holders of Shares are entitled to receive dividends as and when declared by the Board of Directors and are entitled to one vote per Share on all matters to be voted on at all meetings of Shareholders. Upon the voluntary or involuntary liquidation, dissolution or winding up of Supremex, the holders of Shares are entitled to share rateably in the remaining assets available for distribution, after payment of liabilities and subject to the prior rights of preferred shares (if any).

Preferred Shares

The Board of Directors has the authority, without further action by the Shareholders, to issue an unlimited number of preferred shares in one or more series. These preferred shares may be entitled to dividend and liquidation preferences over the Shares. The Board of Directors may fix the designations, powers, preferences, privileges and relative, participating, optional or special rights of any preferred shares issued, including any qualifications, limitations or restrictions. Special rights which may be granted to a series of preferred shares may include dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any of which may be superior to the rights of the Shares.

DIRECTORS AND OFFICERS

The following table sets out, for each of the directors and officers of Supremex as of March 30, 2020, the name, municipality of residence, position(s) with Supremex and the principal occupation. The term of office for each of the directors will expire at the time of the next annual meeting of Shareholders. As of March 30, 2020, the directors and officers of Supremex beneficially owned, directly or indirectly or exercised control or direction over, Shares representing in the aggregate approximately 1.1% of the issued and outstanding Shares.

Name and Municipality of Residence	Position	Principal Occupation	Director since
Robert B. Johnston Isle of Palms, South Carolina United States	Director, Chairman of the Board of Directors	Executive Vice President and Chief Strategy Officer of The InterTech Group, Inc.	May 8, 2014
Nicole Boivin ⁽¹⁾⁽²⁾ Brantford (ON), Canada	Director	Independent Consultant and Corporate Director	May 9, 2018
Stewart Emerson Pickering (ON), Canada	President and Chief Executive Officer, Director	President and Chief Executive Officer of Supremex Inc.	December 11, 2014
Georges Kobrynsky ⁽¹⁾⁽⁴⁾ Montreal (QC), Canada	Director	Corporate Director	From March 31, 2006, to May 7, 2012, and since February 21, 2013
Dany Paradis ⁽¹⁾⁽⁴⁾ Montreal (QC), Canada	Director	President, Nuera Air	February 21, 2013
Steven P. Richardson ⁽³⁾⁽⁴⁾ Unionville (ON), Canada	Director	Corporate Director	May 9, 2018
Andrew I. (Drew) Sullivan ⁽²⁾⁽³⁾ Hanwell (N-B), Canada	Director	Corporate Director	November 3, 2016
Warren J. White ⁽²⁾⁽³⁾ Dollard-des-Ormeaux (QC), Canada	Director	Corporate Director	December 11, 2014

Name and Municipality of Residence	Position	Principal Occupation	Director since
Joe Baglione Woodbrige (ON), Canada	Vice President & General Manager Eastern Canada, Envelope	Vice President & General Manager Eastern Canada, Envelope of Supremex Inc.	N/A
Edward Gauer Winnipeg (MB), Canada	Vice President & General Manager, Western Region	Vice President & General Manager, Western Region of Supremex Inc.	N/A
Lisa Henrich Providence, Rhode Island, United States	Vice President & General Manager, USA	Vice President & General Manager, Supremex USA .	N/A
Guy Prenevost Westmount (QC), Canada	Chief Financial Officer	Chief Financial Officer and Corporate Secretary of Supremex Inc.	N/A
Islem Yezza Sainte-Julie (QC), Canada	Vice President & General Manager, Folding Carton	Vice President & General Manager, Folding Carton of Supremex Inc.	N/A

(1) Member of the Human Resources Committee.

(2) Member of the Corporate Governance Committee.

(3) Member of the Audit Committee.

(4) Member of the Pension Investment Committee.

The following are brief profiles of the current directors and officers of Supremex:

Robert B. Johnston, Chairman

Robert B. Johnston is Executive Vice President and Chief Strategy Officer of The InterTech Group, Inc. since 2008. Mr. Johnston previously served as Chief Executive Officer and Vice Chairman of The Hudson's Bay Company. Mr. Johnston is a Director of Circa Enterprises Inc., Colabor Group Inc., Corning Natural Gas Holding Corporation and FIH group plc. In addition, Mr. Johnston also serves on the Board of Directors of the South Carolina Community Loan Fund. Mr. Johnston holds a MBA Degree from the John Molson School of Business, a Master's Degree in Public Policy and Public Administration, as well as a Bachelor's Degree in Political Science from Concordia University and holds the ICD.D designation from the Institute of Corporate Directors. He also completed the Oxford Advanced Management and Leadership Program.

Nicole Boivin, Director

Nicole Boivin is a Strategic Consultant and Corporate Director. She started her independent practice in 2017 and acts as a strategic advisor to boards and executives dealing with disruption, emerging technologies, M&A and changes in leadership and strategy. She is a contingent faculty member with the Schulich School of Business of York University. From 1999 to 2014, Mrs. Boivin held various executive positions with Manulife as the Global Chief Branding and Communications Officer and the Senior Vice President, Human Resources and Communication for the Canadian Division. Mrs. Boivin currently serves on the board of RES PUBLICA Capital. She is also a former board member of Ontario Power Generation, Pathways to Education and Harbourfront Centre. She is a MBA graduate from Laurentian University where she also received an honorary Doctorate in Laws in Spring 2018. She holds the ICD.D designation from the Institute of Corporate Directors.

Stewart Emerson, President and Chief Executive Officer

Stewart Emerson is the President and Chief Executive Officer of Supremex Inc. Prior to his current role, Mr. Emerson began his career as an Account Manager at Innova Envelope Inc. in 1990 and has since held a number of positions, including Sales Manager, General Sales Manager, Vice President and General Manager, Central Region and Buffalo Envelope. He holds a Bachelor's Degree in Business Administration with a double major in Marketing and Management from the Northeastern University of Boston.

Georges Kobrynsky, Director

Georges Kobrynsky is currently Chair of the Audit Committee of Cascades Inc. He was also a former Trustee of Supremex Income Fund and Director of Supremex Inc. from 2006 to 2012. Previously, Mr. Kobrynsky was Senior Vice President, Investments Forest Products of the Société générale de financement du Québec from 2005 to 2010 and held various senior positions at Domtar Inc. for over 30 years. He also held a position at the Ministry of the Environment of Canada from 1971 to 1975. Mr. Kobrynsky has completed the Senior Executive Program from University of Western Ontario. He also holds a Master of Business Administration from McGill University, a Bachelor's degree in Sciences from the Université Laval and a Bachelor's of Arts degree from the Université de Montréal.

Dany Paradis, Director

Dany Paradis is President of Nuera Air Inc., a worldwide leader in the manufacturing and distribution of central vacuum system since January 2020. Previously with Yellow Pages Limited, he was the Senior Vice-President of Sales and Customer Care since 2017, being responsible for sales, customer service, marketing and operations. In 2016, he was promoted as Senior Vice President Operations and Chief Human Resources Officer and was Senior Vice President and Chief Human Resources Officer when joining Yellow Pages in 2014. From 2008 to 2012, he was a Senior Executive at Fibrek Inc. and, prior to that, held various executive positions at Domtar Inc. and Reebok/Adidas. With more than 30 years of experience, he worked for a number of high-profile companies in the natural resources, athletics and professional services sector. Mr. Paradis holds a Bachelor of Actuarial Sciences degree from Laval University and completed an Advanced Leadership Program from McGill University. He also holds the ICD.D designation from the Institute of Corporate Directors and held several boards of director positions with foundations, associations and public companies.

Steven P. Richardson, Director

Steven P. Richardson is currently a Corporate Director of Parkland Fuel Corporation and serves on the Audit and the Human Resource and Corporate Governance Committees. From 2003-2009, Mr. Richardson held senior executive roles at Hudson's Bay Company, including as Chief Financial Officer and Director of Hudson's Bay Company from 2006 to 2009. Prior to that, he held senior executive positions with financial services companies, including as Chief Financial Officer at Wells Fargo Financial Canada and Executive Vice President, Chief Financial Officer and Director at Associates Financial Services of Canada and Chief Financial Officer and Director at Beneficial Canada Inc. He began his career at Imperial Oil Limited, with various positions in the corporate finance and controller's departments. Mr. Richardson was also a Director and member of various committees of the board of RONA Inc., Sterling Shoes and easyhome Ltd. He holds a CPA, CMA designation, is a graduate of the University of Toronto (Economics and Commerce), completed the Senior Executive Leadership Program at Columbia University and holds the ICD.D designation from the Institute of Corporate Directors.

Andrew I. (Drew) Sullivan, Director

Andrew I. (Drew) Sullivan, recently retired in May 2019, was Senior Vice-President of RR Donnelley Brazil since 2017. His previous role was as President of RR Donnelley Canada and held various sales executive positions with RR Donnelley/Moore Corporation when joining the Corporation in 2001. Prior to that, he was with Relizon Canada for 23 years. Since the Fall of 1978, Mr. Sullivan worked in the print, print communication and services business. He holds a Bachelor's Degree in Business Administration from the University of New Brunswick.

Warren J. White, Director

Warren J. White sits on the Board of Directors of Circa Enterprises Inc. and Colabor Group Inc. Prior to retiring in 2015, he has held many senior leadership roles for large international organizations, including CGI, Alcan, Dominion Textiles and Lafarge, with responsibilities ranging from information technology, finance, procurement and strategic planning. Mr. White is a Chartered Professional Accountant and holds a MBA degree from Concordia University, where he currently teaches Information Technology in the EMBA program.

Joe Baglione, Vice President & General Manager, Eastern Canada, Envelope

Joe Baglione is the Vice President & General Manager for Eastern Canada, Envelope of Supremex since January 2019. His responsibilities include all facets of production and sales for Ontario, Quebec and the Maritimes. Prior to this role, Mr. Baglione was the Vice President & General Manager of Supremex U.S from January 2018 to December 2018 and General Sales Manager of Supremex Central Region from 2015 to 2017. Mr. Baglione has over 25 years of industry experience in all areas of the business, including sales and sales management.

Edward Gauer, Vice President & General Manager, Western Region

Edward Gauer is the Vice President & General Manager, Western Region of Supremex. Mr. Gauer has over 25 years of industry experience. Prior to this current role, Mr. Gauer began his career as Account Manager at Innova Envelope Inc. in 1991 and has since held a number of positions, including Sales Manager and General Manager of Manitoba/Saskatchewan. He holds a Certification in Management and Administrative Studies from the University of Manitoba.

Lisa Henrich, Vice President & General Manager, United States

Lisa Henrich is Vice President and General Manager for Supremex USA. Ms. Henrich joined the Company in January 2019 and has over 25 years of industry envelope experience, as well as, forms and pharmaceutical print knowledge. Previously, Ms. Henrich was Vice President of Sales & Marketing for Rite Envelope & Graphics Inc. from April 2015 to December 2018 and National Sales Manager for Tidewater Direct, LLC and American Direct, Inc. from November 2012 to March 2016. Ms. Henrich has a BS degree from George Washington University and a MBA from Loyola University Maryland.

Guy Prenevost, Chief Financial Officer and Corporate Secretary

Guy Prenevost is the Chief Financial Officer and Corporate Secretary of Supremex since April 2018. He has over 20 years of diversified experience in finance, sales and operations. Mr. Prenevost was most recently Chief Financial Officer of Rolland Enterprises Inc. and previously held various finance positions at Cascades Inc. including Director of Administration and Finance from 2007 to 2016 at Cascades Tissue Group. He also served as a member of the Board of Directors of Cascades USA Inc. and Best Diamond Packaging, LLC. Mr. Prenevost holds a MBA from the Lally School of Management & Technology at Rensselaer Polytechnic Institute, Troy, NY, a Bachelor of Arts from the University of Alberta and a Bachelor in Accounting Science from the University of Quebec at Trois-Rivières. He holds the CPA, CMA designation.

Islem Yezza, Vice President & General Manager, Folding Carton

Islem Yezza is Vice President and General Manager of Folding Carton of Supremex since 2018. Mr. Yezza joined the Company in 2018 and has over 10 years of experience in the paper and packaging business. Mr. Yezza has worked both in academic and private sector, and occupied many strategic positions including Vice-President of Sales and Marketing for Netpak Packaging from 2015 to 2018 and Technical & Business Development Director for Cascades Inc. from 2010 to 2014. He holds a degree in Chemical Engineering from Polytechnique Montréal and a Ph.D. in Bioprocess Engineering from the Institut National de la Recherche Scientifique (INRS).

CORPORATE GOVERNANCE

The directors are responsible for the governance of Supremex and have established an Audit Committee, a Human Resources Committee, a Corporate Governance Committee as well as a Pension Investment Committee, each of which shall have a number of members as determined by the Board of Directors from time to time. For all these committees, all of its members shall be “independent.

Corporate Governance Committee (“CG Committee”)

The CG Committee shall review and make recommendations to the directors concerning the appointment of officers of Supremex and its subsidiary entities. The CG Committee is responsible for developing Supremex’ approach to corporate governance issues, advising the Board of Directors on filling vacancies on the Board of Directors and periodically reviewing the composition and effectiveness of the Board of Directors and the contribution of individual directors. The CG Committee is responsible for adopting and periodically reviewing and updating Supremex’ written disclosure policy. This policy, among other things: (i) articulates the legal obligations of Supremex, its affiliates and their respective directors, officers, employees and consultants with respect to confidential information; (ii) identifies spokespersons of Supremex who are the only persons authorized to communicate with third parties such as analysts, the media and investors; (iii) provides guidelines on the disclosure of forward-looking information; (iv) requires advance review by senior executives of Supremex of any selective disclosure of financial information to ensure the information is not material or, if selective disclosure of material information does occur, that a news release is issued immediately; and (v) establishes “black-out” periods prior to and following the disclosure of quarterly and annual financial results and prior to the disclosure of certain material changes, during which periods Supremex, its affiliates and their respective directors, officers, employees and consultants may not purchase or sell Shares.

Human Resources Committee (“HR Committee”)

The HR Committee shall annually review the Chief Executive Officer’s goals and objectives for the upcoming year and provide an assessment of the Chief Executive Officer’s performance to the Board of Directors. The committee shall make recommendations concerning the remuneration of the executive officers and shall administer and make recommendations regarding any employee bonus plans.

Pension Investment Committee (“PIC Committee”)

On February 19, 2014, the Board of Directors established the PIC Committee whose mandate is, inter alia, to assist the Board of Directors in the administration of the Company’s sponsored pension plans and the investment of the funds therein.

Audit Committee

The Audit Committee assists the directors in fulfilling their responsibilities regarding the oversight and supervision of the accounting and financial reporting practices and procedures of Supremex, the adequacy of internal accounting controls and procedures, and the quality and integrity of the financial statements of Supremex. In addition, the Audit Committee is responsible for directing the auditors’ examination of specific areas and for the selection of potential independent auditors to be appointed by the Shareholders.

Charter of the Audit Committee

The charter of the Audit Committee, as approved on April 12, 2006, and amended on November 5, 2007, on March 22, 2011, on March 20, 2015, and on March 20, 2019, is set out in Schedule A to this Annual Information Form.

Composition of the Audit Committee

The Audit Committee is composed of three members. Each member of the Audit Committee is independent of Supremex and financially literate as required under Multilateral Instrument 52-110 – *Audit Committee*.

Relevant Education and Experience of the Audit Committee Members

In addition to each member's general business experience, the education and experience of each Audit Committee member that is relevant to the performance of his or her responsibilities as an Audit Committee member is as follows:

- (i) Steven P. Richardson is currently a Corporate Director of Parkland Fuel Corporation and serves on the Audit and the Human Resource and Corporate Governance Committees. From 2003-2009, Mr. Richardson held senior executive roles at Hudson's Bay Company, including as Chief Financial Officer and Director of Hudson's Bay Company from 2006 to 2009. Prior to that, he held senior executive positions with financial services companies, including as Chief Financial Officer at Wells Fargo Financial Canada and Executive Vice President, Chief Financial Officer and Director at Associates Financial Services of Canada and Chief Financial Officer and Director at Beneficial Canada Inc. He began his career at Imperial Oil Limited, with various positions in the corporate finance and controller's departments. Mr. Richardson was also a Director and member of various committees of the board of RONA Inc., Sterling Shoes and easyhome Ltd. He holds a CPA, CMA designation, is a graduate of the University of Toronto (Economics and Commerce), completed the Senior Executive Leadership Program at Columbia University and holds the ICD.D designation from the Institute of Corporate Directors.
- (ii) Andrew I. (Drew) Sullivan, recently retired in May 2019, was Senior Vice-President of RR Donnelley Brazil since 2017. His previous role was as President of RR Donnelley Canada and held various sales executive positions with RR Donnelley/Moore Corporation when joining the Corporation in 2001. Prior to that, he was with Relizon Canada for 23 years. Since the Fall of 1978, Mr. Sullivan worked in the print, print communication and services business. He holds a Bachelor's Degree in Business Administration from the University of New Brunswick.
- (iii) Warren J. White White White sits on the Board of Directors of Circa Enterprises Inc. and Colabor Group Inc. Prior to retiring in 2015, he has held many senior leadership roles for large international organizations, including CGI, Alcan, Dominion Textiles and Lafarge, with responsibilities ranging from information technology, finance, procurement and strategic planning. Mr. White is a Chartered Professional Accountant and holds a MBA degree from Concordia University, where he currently teaches Information Technology in the EMBA program.

Audit Fees

Ernst & Young LLP has served as Supremex' auditing firm since October 2005. As detailed in the table below, fees to Ernst & Young LLP and its affiliates for the year ended December 31, 2019 (Fiscal 2019) and the year ended December 31, 2018 (Fiscal 2018) represented approximately \$385,824 and \$343,146 respectively.

	Fiscal 2019	Fiscal 2018
Audit Fees ⁽¹⁾	249,166	256,700
Audit-Related Fees ⁽²⁾	59,553	18,500
Tax Compliance and Preparation Fees	62,400	46,860
Tax Advise and Planning Fees	14,705	21,086
Total Fees	385,824	343,146

(1) "Audit Fees" include fees for professional services rendered for the audit of Supremex annual financial statements and for consultations concerning financial accounting or the presentation of financial information, accounting work related to acquisitions and review of documents filed with regulatory authorities.

(2) "Audit-Related Fees" include fees paid for the execution of computerized tests on internal controls for management and for a cyber security program assessment.

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

Corporate Cease Trade Orders or Bankruptcies

Other than as described below, to the knowledge of Supremex, in the last ten years, no director, or executive officer of Supremex is or has been a director or executive officer of any company that, while that person was acting in that capacity, (i) was the subject of a cease trade order or similar order, or an order that denied the relevant company access to any exemptions under securities legislation, for a period of more than 30 consecutive days, (ii) was the subject of an event that resulted, after that person ceased to be a director or executive officer, in the company being the subject of a cease trade order or similar order or an order that denied the relevant company access to an exemption under securities legislation, for a period of more than 30 consecutive days or (iii) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Mr. Richardson was a member of the board of directors of Sterling Shoes Inc. from June 2010 to January 2013. Pursuant to orders of the Supreme Court of British Columbia, including an initial order dated October 21, 2011, Sterling Shoes Inc. and each of its subsidiaries obtained creditor protection under the CCAA. On November 28, 2014, the Supreme Court of British Columbia granted an order authorizing, among other things, a final distribution to the creditors of Sterling Shoes GP Inc. and Sterling Shoes Limited Partnership holding individual claims in excess of \$4,600; such distribution is still ongoing. Furthermore, on September 9, 2013, the British Columbia Securities Commission issued a cease trader order relating to any trading in securities of Sterling Shoes Inc. as a result of Sterling Shoes Inc. not having filed its (i) annual audited financial statements, annual management's discussion and analysis and certification of annual filings for the years ended December 31, 2011 and December 31, 2012 and (ii) interim unaudited financial statements, interim management's discussion and analysis and certification of interim filings for the interim periods ended March 31, 2012, June 30, 2012, September 30, 2012, March 31, 2013, June 30, 2013 and September 30, 2013, by the required deadlines. Related cease trade orders were also issued by securities regulatory authorities in Alberta on December 9, 2013, Ontario on September 16, 2013 (replaced by a permanent cease trade order as of September 27, 2013) and Quebec on September 12, 2013 (replaced by a permanent cease trade order as of September 27, 2013). Sterling Shoes Inc. has ceased to be a reporting issuer since.

Penalties or Sanctions

To the knowledge of Supremex, no director or executive officer of Supremex, (i) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or (ii) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Personal Bankruptcies

To the knowledge of Supremex, in the last ten years, no director or executive officer of Supremex has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or executive officer.

Conflicts of Interest

No director or senior officer of Supremex or other insider of Supremex, nor any associate or affiliate of the foregoing persons has any substantial interest, direct or indirect, in any material transaction since the commencement of Supremex' last financial year.

MARKET FOR SECURITIES

Trading Price and Volume

The Shares are currently listed for trading on the TSX under the symbol "SXP". The following table shows the monthly range of high and low prices per Share and the total monthly volumes of Shares traded on the TSX for the months of January to, and including, December 2019.

2019 Month	Price per Share (\$) Monthly High	Price per Share (\$) Monthly Low	Shares Total Monthly Volume
January	2.82	2.46	918,538
February	3.42	2.46	1,684,916
March	3.59	3.16	483,085
April	3.30	2.95	694,306
May	3.13	2.51	1,061,405
June	2.86	2.58	637,447
July	2.80	2.39	616,853
August	2.72	2.28	1,046,918
September	2.70	2.49	500,097
October	2.56	2.31	494,474
November	2.57	2.24	692,309
December	2.45	2.25	890,149

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Shares is Computershare Investor Services Inc. at its principal transfer office in Montreal, Quebec.

RISK FACTORS

The results of operations, business prospects and financial condition of Supremex are subject to a number of risks and uncertainties, and are affected by a number of factors outside the control of Supremex' management.

Global Health Crisis

The Company is subject to epidemics and other public health crises, such as the recent Coronavirus pandemic. The transmission of the Coronavirus and efforts to contain its spread have recently resulted in international, national and local border closings, travel restrictions, significant disruptions to business operations, supply chains and customer activity and demand, service cancellations, reductions and other changes, significant challenges in healthcare service preparation and delivery, and quarantines, as well as considerable general concern and uncertainty, all of which have negatively affected the economic environment and may in the future have further and larger impacts. At this stage, it is not possible to predict what additional measures and restrictions will be imposed by governmental authorities and the period in time during which those measures and restrictions will apply.

The Coronavirus outbreaks could also significantly impact prices of our products in connection with an ensuing economic downturn, supply shortages, trade disruption, temporary staff shortages, temporary closures of facilities in geographic locations more importantly impacted by the outbreak. The Company cannot presently predict the scope and severity of potential business disruptions. Any prolonged restrictive measures put in place in order to contain the outbreak in any other jurisdictions where the Company operates or holds any assets, may have a material and adverse effect on the Company's financial and/or operating performance. Any delay in the completion of the Company's operations may require the Company to incur additional non-compensable costs and may have a material adverse effect on the Company's business, financial condition and results of operations. Such adverse effect could be rapid and unexpected. Due to the speed with which the situation has been developing and the uncertainty of its magnitude, outcome and duration, the Company is not able at this time to estimate the future impact of the Coronavirus situation on its operations or its financial results; however, such adverse impact could be material.

Economic Cycles

A significant risk that Supremex faces and over which it has no control is related to economic cycles. In a soft economy, the market most affected at Supremex is its direct mail market. There is a direct correlation between growth/decline in the gross domestic product and direct mail volume. Therefore, soft economic conditions can have significant impact on direct mail volume. Although direct mail represents less than 15% of Supremex' total annual envelope volume, a decline would put pressure on the overall market. For transactional mail, which represents about 50% of Supremex' annual envelope volume, economic cycles have a lesser impact than on direct mail since businesses must still mail out invoices to their customers, although the online billing penetration is growing in this segment. In the long term, transactional mail volume has been declining.

Current global uncertainty with respect to the spread of the COVID-19 virus (the "Coronavirus") and its significant effect on the broader global economy may have a significant negative effect on the Company. While the precise impact of the Coronavirus on the Company's operations remain unknown, rapid spread of the Coronavirus may have a material adverse effect on global economic activity, and can result in volatility and disruption to global supply chains, operations, mobility of people and the financial markets, which could have a material adverse effect on the business, operations, financial conditions, results of operations and other factors relevant to Supremex. More precisely, disruptions in the financial markets may also have an adverse impact on regional economies, which would negatively impact the capital and operating expenditures of our customers. Any of these conditions may reduce the willingness or ability of our customers and prospective customers to commit funds to purchase our products or their ability to pay for our products after purchase.

Decline in Envelope Consumption

Supremex' envelope manufacturing business is highly dependent upon the demand for envelopes sent through the mail. Usage of the Internet and other electronic media continues to grow. Consumers use these media to purchase goods and services, and for other purposes such as paying invoices. Advertisers use the Internet and electronic media for targeted campaigns directed at specific electronic user groups. Large and small businesses use electronic media to conduct business, send invoices and receive payments.

The North American envelope manufacturing and mailing industries are expected to continue to decline in the foreseeable future, due to a general progressive reduction in the use of traditional paper-based products. The business depends on transactional mail and direct mail activities. Transactional and direct mail volumes have declined in the last few years due in part to the increasing use of non-traditional means of communication and information transfer, such as electronic mail and the Internet. As a result, there can be no assurance that Supremex will be able to grow or even maintain historical sales levels.

To reduce this risk, the Company continually strives to improve operational efficiency and develop and acquire new products such as the packaging directed toward e-commerce fulfillment and other applications.

In addition, postal rates are a significant factor affecting envelope usage and any increases in postal rates, relative to changes in the cost of alternative delivery means or advertising media, could result in reductions in the volume of mail sent.

No assurance can be provided that future increases in postal rates will not have a negative effect on the level of mail sent or the volume of envelopes purchased.

Finally, from time to time, there has been talk of "do-not-mail" legislation in the U.S. with respect to the direct mail industry, primarily around the distribution of non-targeted advertising mail and the environment. "Do-not-mail" legislation is instituted at the state level. While such activities have generally not been successful, if such legislation were to be passed, it would have a negative impact on the Company's sales volume.

Customer relationships

Supremex typically does not enter into long-term, written agreements with customers. As a result, there is a risk that customers may, without notice or penalty, terminate their relationship with Supremex at any time. In addition, even if customers decide to continue their relationship with Supremex, there can be no guarantee that they will purchase the same amount as they did in the past, or that purchases will be on similar terms.

In addition, certain of our customers may become insolvent or bankrupt, face a sudden deterioration in their financial position or operating results, or elect to default under their contract with Supremex, in which case the recovery of accounts receivable may be doubtful or hardened. If a customer were to default on a payment obligation, we may be unable to collect the amounts owed, in which case some or all of such amounts would need to be written off.

Competition

Competition in the Envelope Industry

Despite Supremex' leading market position in Canada in the envelope business, new competitors could enter the Canadian envelope market impacting sales and margins. A strengthening of the Canadian dollar against the U.S. dollar could create an incentive for U.S.-based competitors to increase market penetration in Canada. Also, as long as the U.S. market stays oversupplied, there will be pricing pressure in the Canadian market. However, the costs of freight, coupled with delivery inefficiencies are barriers to servicing any significant customer volume from a distance.

In the current market, the Canadian envelope manufacturers are more aggressive on pricing in order to generate new sales to replace their sales lost to secular decline. Given the Company's large market share in Canada, most of the gains by smaller competitors in Canada are made at the expense of Supremex' accounts.

Competition in the Packaging Industry

The packaging industry is highly competitive and Supremex' diversification in packaging is relatively recent. Some of Supremex' competitors are larger and have more fully integrated operations. If Supremex fails to further penetrate the packaging industry, the growth in its sales, could be negatively impacted. Supremex cannot assure that its efforts to increase market penetration in its existing markets and to expend into the packaging market will be successful. Failure to do so could have a material adverse effect on Supremex' operating results.

Growth by Acquisitions

The Company plans to grow both organically and through acquisitions. In the recent years, the Company has grown through acquisitions and has relied in large part on new acquisitions to pursue its growth. The ability to properly evaluate the fair value of the businesses being acquired, to properly devote the time and human resources required to successfully integrate their activities with those of the Company as well as the capability to realize synergies, improvements and the expected profit and to achieve anticipated returns constitute inherent risks related to acquisitions. The Company may also be subject to potential liabilities from past acquisitions that it may not discover in its due diligence process. One or more of these factors could impact the Company's ability to successfully integrate or leverage an acquisition and could negatively affect the Company's results of operations.

Reliance on Key Personnel

Supremex' senior executives and employees have extensive experience in the industry and with the business, suppliers, products and customers. The loss of management knowledge, expertise and technical proficiency as a result of the loss of one or more members of the core management team could result in a diversion of management resources or a temporary executive gap, and negatively affect the Company's ability to develop and pursue other business strategies, which could materially adversely affect its business and financial results. Also, the expertise pertaining to envelope manufacturing is rare and the loss of key executives heading those functions could have a material adverse effect on the Company's ability to continue to offer a compelling product offering to its customers, which in turn would materially adversely affect its business and financial results.

Raw Material

The primary raw materials the Company uses are paper and paper-based substrates, window material, glue and ink. Fluctuations in raw material and energy prices affect operations.

Paper costs represent a significant portion of Supremex' material costs and they have been subject to volatility due to supply and demand in the marketplace. While paper costs were generally a pass through in the past, an increase in the price of paper can negatively affect operations if it changes the purchasing habits of customers. Moreover, an increase in the price of paper negatively affects Supremex' profitability if the increases cannot be passed on to the customer. To mitigate this risk, the Company does not rely on any one supplier, and has generally been disciplined in passing on raw material increases to its customers. The availability of suitable quality recycled board within a reasonable distance of the Company's packaging divisions is also a risk. Finally, fluctuations in the price of oil, a core ingredient in the composition of window material, glue and ink has a direct impact on their price. An increase in the price of oil can have a negative effect on operations if it changes the purchasing habits of customers.

Exchange Rate

A portion of Supremex' revenue is earned in U.S. dollars while a large portion of its expenses, including most of its paper and other raw materials costs as well as certain capital expenditures are incurred in U.S. dollars. Supremex also derives a portion of its revenue from Canadian dollar sales to certain customers for whom selling price is sensitive to U.S. competition.

Net exposure to the U.S. dollar continues to decrease as the Company's growing revenues in the U.S. envelope market, compensates for the volume of raw materials it currently purchases in USD. Revenue generated from customers in the United States represented 31.7% of consolidated revenue in fiscal 2019, down from 33.4% in fiscal 2018.

Environment

The Company operates in an industry which uses large quantities of paper in its day-to-day operations. With society's mounting concern over the protection of the environment and sustainable development, Supremex' products and services are under pressure to be more environmentally friendly. For instance, the growing concern over the environment could change the consumption habits of consumers and new regulations could force the Company to use more expensive environmentally friendly materials in its production process. There is no assurance that any of such increased costs could be passed on to Supremex' customers. To mitigate this risk, the Company tries to be at the forefront of its industry in terms of commitment to the environment and, in collaboration with its suppliers, seeks on an ongoing basis to reduce its impact on the environment. Supremex is also a leader in the Canadian envelope market in the marketing of environmentally friendly products, such as 100% recycled paper. If price of raw materials were to increase for environmental reasons, it could negatively affect Supremex' profitability if such increase cannot be passed on to the customer.

Availability of Capital

In 2019, the Company entered into a four-year senior secured credit facility of \$115 million composed of a \$80 million revolving facility and a \$35 million term facility, replacing its \$75 million Senior Secured Revolving Facility. Although the Company carried out this modification to its line of credit successfully, there is no guarantee that additional funds will be available in the future, and if they are, that they will be provided in a timeframe and under conditions acceptable to the Company.

Credit

The Company is exposed to credit risk with respect to trade receivables. A specific credit limit is established for each customer and periodically reviewed by the Company. No single customer accounts for more than 10% of consolidated accounts receivable. Supremex' customer base is well diversified and consists mainly of large national customers, such as large Canadian corporations, nationwide resellers and governmental bodies, as well as paper merchants and solution and process providers. Historically, the level of bad debt has been low given the nature of the customers. As at December 31, 2019, the maximum credit risk exposure for receivables corresponds to their carrying value.

Interest Rate

The Company is exposed to market risks related to interest rate fluctuations. Floating-rate debt bears interest based on Canadian prime rate, plus an applicable margin that ranges between 0% and 1.00% or bankers' acceptance rates, plus an applicable margin, which ranges from 1.25% to 2.25%.

Litigation

Supremex, like other manufacturing and sales organizations, is subject to potential liabilities in connection with its business operations, including expenses associated with product defects, performance, and reliability or delivery delays. Supremex is from time to time threatened with, or named as a defendant in, legal proceedings, including lawsuits based on product liability, personal injury, breach of contract and lost profits or other consequential damages claims, in the ordinary course of conducting its business. A significant judgment against Supremex or the imposition of a significant fine or penalty, as a result of a finding that Supremex failed to comply with laws or regulations, or

being named as a defendant on multiple claims could have a material adverse effect on Supremex' business, financial condition, results of operations and cash available for distributions.

Employee Future Benefits

The Company maintains four registered defined benefit pension plans substantially covering all of its employees. Three of these plans are hybrids and included a defined contribution component. In the third quarter of 2012, the Company converted, for future services, its defined benefit pension plans into defined-contribution plans. In the past, the Company has also provided post-retirement and post-employment benefits, including health care, dental care and life insurance, to a limited number of employees.

The level of the contributions may vary depending on the realized return on the pension fund asset and the discount rate of the future liabilities, which could affect the financial condition of Supremex.

On December 20, 2019, the Company concluded the purchase of a group annuity buy-in with RBC Life Insurance Company in order to transfer longevity and investment risks related to the pensioners and deferred vested members of its largest defined benefit plan. This transaction considerably reduced the risk profile and volatility associated with the defined benefit pension plans and further secures the Company's members' benefits.

Cyber security and data protection

In the normal course of its operations, the Company relies on the continuous and uninterrupted operation of its systems, data hosting centers, cloud computing systems and computer hardware. In addition, it receives processes and transfers sensitive data, including confidential information about Supremex, its customers, its suppliers, as well as personal information regarding its employees.

If the Company were to experience cyber threats, breaches, unauthorized accesses, viruses other security breaches, human errors, sabotage or other similar events, it could have a material adverse impact on its activities, including system disruptions or breakdowns. This could also negatively impact Supremex' results, cause considerable damage to the Company's reputation and potentially result in legal actions against it.

Cyberattacks attempts occur more and more frequently and their nature continuously evolves and become more refined, which increases the risk that the Company's operations be disrupted and that the Company's data be compromised. In addition, it is possible that such a cyber breach or event might not be detected quickly enough to limit the scope of the information that could be stolen or compromised.

No guarantee to pay cash dividends

The Board of Directors has, for some years, declared a cash dividend on a quarterly regular basis. Decisions regarding dividends are within the discretion of the Board of Directors, and will be influenced by a number of factors, including general business and economic conditions, Supremex' financial condition, operating results and restrictions imposed by its debt agreements, the emergence of acquisition opportunities, changes in business strategy and other factors. Changes in, or the elimination of dividends could have an adverse effect on the price of Supremex' common shares.

Cash payments

Supremex depends on its relationships with its existing customers and on the development of its growing clientele. Some of Supremex' customers have been paying for Supremex' products in cash. The Company took measures to ensure that appropriate procedures were followed in connection with such payments. Given the number of rules applicable to the handling of cash amounts and the risk associated with this practice, the Company decided to cease accepting large cash payments during the year ended December 31, 2019.

INTEREST OF EXPERTS

Ernst & Young LLP are the auditors of Supremex and have advised that they are independent of Supremex within the meaning of the Rules of Professional Conduct of the Ordre des comptables professionnels agréés du Québec.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Except as set forth below, the Company is not involved nor has it been involved in any material legal proceedings or regulatory actions (including such proceedings or actions which are pending or threatened and of which the Company is aware).

On or about December 21, 2017, Amazing Print, Corp. served and filed a Statement of Claim against the Company and others seeking, *inter alia*, damages in the amount of \$23,130,000 for breach of contract, breach of good faith, deceit, negligent and/or fraudulent misrepresentation and conversion as well as punitive, aggravated and exemplary damages in the amount of \$250,000. The plaintiff's claim is based on a letter of intent that was entered into among the plaintiff and several other defendants, not including the Company. The Statement of Claim was issued on December 1, 2017 and contained a broad range of unsubstantiated allegations against the Company and the other defendants. Many of the allegations outlined in the Statement of Claim are in respect of matters that occurred before the Company acquired the assets of 1683963 Ontario Inc. and Printer Gateway Inc. on or about December 23, 2016. The Company has received no response to our latest letter to the plaintiff's counsel on March 26, 2018. The Company believes that this proceeding is without merit and is vigorously defending it, but is waiting on a response to a Request to Inspect and Demand for Particulars before formally filing a defence.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

None of (i) the directors or executive officers of the Company, (ii) the Shareholders who beneficially own or control or direct, directly or indirectly, more than 10% of the voting Shares of the Company, or (iii) any associate or affiliate of the persons referred to in (i) and (ii), has or has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Company.

MATERIAL CONTRACTS

Other than the contracts entered into in the ordinary course of business and the Credit Agreement, there are no material contracts that were entered into by the Company during Fiscal 2019 or entered into prior to Fiscal 2019 but which are still in effect.

ADDITIONAL INFORMATION

Additional information relating to Supremex may be found on SEDAR at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Supremex' securities and securities authorized for issuance under equity compensation plans will be contained in Supremex' information circular for its annual meeting of Shareholders of Supremex. Additional financial information is provided in the financial statements and management's discussion and analysis for the year ended December 31, 2019.

GLOSSARY OF TERMS

“Arrangement” means the arrangement under Section 192 of the CBCA as set out in the plan of arrangement attached as a schedule to the Arrangement Agreement, pursuant to which, on January 1, 2011, the Fund converted from an income trust structure to Supremex.

“Arrangement Agreement” means the arrangement agreement dated March 22, 2010, as amended on December 17, 2010, between Supremex, the Fund and 7351020 Canada Inc.

“Audit Committee” means the audit committee of Supremex.

“Board of Directors” means the board of directors of Supremex.

“CBCA” has the meaning ascribed thereto under “Corporate Structure – Name, Address and Incorporation”.

“Coronavirus” has the meaning ascribed thereto under “Risk Factors – Economic Cycles”.

“Credit Agreement” has the meaning ascribed thereto under “Dividends and Distribution”.

“Environmental Laws” has the meaning ascribed thereto under “Business – Environmental Regulations”.

“Fund” means Supremex Income Fund, an unincorporated open-ended trust formed pursuant to the Fund Declaration of Trust under the laws of the Province of Quebec, which converted into Supremex pursuant to the Arrangement.

“Fund Declaration of Trust” means the Fund Declaration of Trust made as of February 10, 2006, as amended and restated between the trustee and the settlor thereof governed by the laws of the Province of Quebec, pursuant to which the Fund was established, as amended, supplemented or restated from time to time.

“IFRS” means international financial reporting standards.

“Initial Public Offering” means the offering of 17,500,000 Units issued and sold by the Fund on March 31, 2006, pursuant to the prospectus dated March 17, 2006.

“Management” means the management of Supremex.

“Shares” has the meaning ascribed thereto under “Corporate Structure – Name, Address and Incorporation”.

“Shareholders” has the meaning ascribed thereto under “Corporate Structure – Name, Address and Incorporation”.

“Supremex” or the **“Company”** refers to Supremex Inc., together with its subsidiaries and predecessors.

“TSX” has the meaning ascribed thereto under “Corporate Structure – Name, Address and Incorporation”.

“Units” has the meaning ascribed thereto under “Corporate Structure – Name, Address and Incorporation”.

“U.S.” means the United States of America.

Words importing the singular include the plural and vice versa and words importing any gender include all genders.

AUDIT COMMITTEE CHARTER

Section 1 PURPOSE

The Audit Committee (the “**Committee**”) is a committee of the Board of directors (the “**Board**”) of Supremex Inc. (“**Supremex**” or the “**Corporation**”). Its primary function is to assist the Board in its oversight and supervision of (i) the integrity of the financial reporting of Supremex, (ii) Supremex’ internal controls, (iii) the independence, qualifications and performance of the Corporation’s external auditor (the “**External Auditor**”), and (iv) Supremex’ compliance with applicable securities legislation.

The Committee shall primarily fulfill these responsibilities by carrying out the activities enumerated in this Charter. However, it is not the responsibility of the Committee to prepare financial statements, to plan or conduct internal or external audits, to determine that the financial statements are complete and accurate and are in accordance with International Financial Reporting Standards (“**IFRS**”), to conduct investigations, or to assure compliance with laws and regulations or Supremex’ internal policies, procedures and controls, as these are the responsibility of Supremex management team (“**Management**”) and, in certain cases, the External Auditor. This Charter is a broad policy statement and is intended to be part of Committee’s flexible governance framework. While this Charter should comply with all applicable laws, regulations and listing requirements and the Corporation’s articles and by-laws, this Charter does not create any legally binding obligations on the Committee, the Board or the Corporation. Nothing in this Charter is intended to make the Committee liable for any non-compliance by Supremex with applicable laws and regulations.

Section 2 COMPOSITION AND MEETINGS

- (1) The Committee shall be composed as required under National Instrument 52-110 – *Audit Committees*, as it may be amended or replaced from time to time (“**NI 52-110**”), of at least, three independent directors of Supremex.
- (2) The Committee shall be comprised of such members as are determined by the Board, all of whom (except to the extent permitted by NI 52-110) shall be independent directors of Supremex (as defined by NI 52-110), and free from any relationship that, in the view of the Board, could be reasonably expected to interfere with the exercise of his or her independent judgment as a member of the Committee.
- (3) The members of the Committee shall be elected by the Board on an annual basis or until their successors shall be duly appointed. Unless a Chair is elected by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership.
- (4) Any member of the Committee may be removed or replaced at any time by the Board and shall cease to be a member of the Committee on ceasing to be a director. The Board may fill vacancies on the Committee by election from among the Board. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all of their powers so long as a quorum remains.
- (5) The Committee shall meet at least four times annually and such meetings shall correspond with the Corporation’s reporting cycle or more frequently as circumstances require. The Committee may ask members of Management or others to attend meetings and provide pertinent information as necessary. The Committee shall have full access to all information it deems appropriate for the purpose of fulfilling its role, and shall be permitted to discuss such information and any other

matters relating to the financial position of Supremex with senior employees, officers and the External Auditor of Supremex, and others as they consider appropriate.

- (6) In order to foster open communication, the Committee or its Chair shall meet, when deemed appropriate, with Management and the External Auditor in separate sessions to discuss any matters that the Committee or each of these groups believes should be discussed privately.
- (7) A quorum for the transaction of business at any meeting of the Committee shall be a majority of the number of members of the Committee or such greater number as the Committee shall by resolution determine.
- (8) Meetings of the Committee shall be held from time to time upon reasonable notice to each of its members, which shall not be less than 48 hours. Any member of the Committee may request a meeting of the Committee. The notice period may be waived by all members of the Committee. Each of the Chairman of the Board, the External Auditor, the President and Chief Executive Officer and the Chief Financial Officer and Corporate Secretary of Supremex, shall be entitled to request that any member of the Committee call a meeting.
- (9) The Committee shall determine any desired agenda items. The Chair shall ensure that documents referred to in the agenda are forwarded to members of the Committee sufficiently in advance for their perusal.
- (10) Minutes of meetings of the Committee must accurately reflect the significant discussions and the decisions of the Committee. The Corporate Secretary, his or her designate or any other person the Board requests shall act as secretary of Committee meetings. Minutes of Committee meetings shall be recorded and maintained by the Corporate Secretary, or any other person acting in such capacity, and subsequently presented to the Committee for approval.

Section 3 ROLE

The Committee shall:

- (1) Recommend to the Board the appointment and compensation of the External Auditor.
- (2) Review and approve all audit services provided by the External Auditors.
- (3) Oversee the work of the External Auditor, including its independence and the resolution of any issues between the External Auditor and Management.
- (4) Pre-approve the list of non-audit services (or delegate such pre-approval if and to the extent permitted by law) to be provided to Supremex or its subsidiaries by the External Auditor.
- (5) Review and recommend to the Board the approval of the annual audited financial statements and interim unaudited financial statements, related management discussion and analysis (“MD&A”), annual and interim earnings, and press releases before such information is publicly disclosed.
- (6) Ensure that adequate procedures are in place for the review of the financial information extracted or derived from its financial statements and/or MD&A contained in Supremex’ public documents, including periodically assessing the adequacy of such procedures.

- (7) Review and approve any proposed hiring of current or former partner or employee of the current and former External Auditor of Supremex.
- (8) Discuss with the External Auditor the appropriateness of the accounting policies applied in the Corporation's financial reports and any significant changes to the Corporation's accounting policies, principles and practices.
- (9) Periodically consult with the External Auditor out of the presence of Management about significant risks or exposures, internal controls and other steps that Management has taken to control such risks, and the fullness and accuracy of the financial statements, including the adequacy of internal controls to expose any payments, transactions or procedures that might be deemed illegal or otherwise improper.
- (10) Review with the External Auditor and Management significant findings and any audit problems encountered in the normal course of the audit or interim reporting and the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented. This review shall be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Committee.
- (11) Discuss with the External Auditor and Management whether they have knowledge of any instance of allegations of employee fraud or any suspected employee fraud.
- (12) Review Management's process for identification of, approval of and accounting for related party transactions.
- (13) Review and discuss, on an annual basis, with the External Auditor all significant relationships they have with Supremex to assess its independence.
- (14) Perform an annual assessment of the External Auditor as recommended by the Canadian Public Accountability Board. At least every five years, conduct a comprehensive review of the External Auditor.
- (15) Review the scope and plans of the External Auditor's audit and reviews. The Committee may authorize the External Auditor to perform supplemental reviews or audits as the Committee may deem desirable.
- (16) Review, at least annually, the dividend policy and recommend the approval of the declaration and payments of dividends by the Board in accordance thereto.

Section 4 COMMITTEE REPORTING

- (1) Review on an annual basis and recommend to the Board changes to this Charter as considered appropriate from time to time.
- (2) Review the public disclosure regarding the Committee required by NI 52-110.
- (3) Review activities, organizational structure and qualifications of the Chief Financial Officer and ensure that matters related to succession planning are raised for consideration by the Board.
- (4) Review with Management and the External Auditor, recent professional and regulatory pronouncements and understand their impact on financial reports.

- (5) Review Management's updates on legal and regulatory matters and examine and discuss the foreseeable repercussions of any such updates on the financial statements of the Corporation and its risk management.
- (6) Review Management's program of risk assessment and steps taken to address significant financial disclosure risk or exposures.
- (7) Review Management's process for ensuring that Management of the Corporation evaluates the effectiveness of the Corporation's disclosure controls and procedures and internal control over financial reporting.
- (8) Review the financial information and disclosures contained in the Corporation's annual information form, press releases (including any guidance on earnings), and prospectuses (if any).
- (9) Establish procedures for: the receipt, retention and treatment of complaints received by Supremex regarding accounting, internal accounting controls or auditing matters; and the confidential, anonymous submission by Supremex employees of concerns regarding questionable accounting or auditing matters.
- (10) Evaluate the Committee's own performance, both of individual members and collectively on an annual basis.

Section 5 GENERAL MATTERS

- (1) The Committee is authorized to retain independent counsel, accountants, consultants and any other professionals ("Advisors") it deems necessary to carry out its duties, and the Committee shall have the authority to determine the compensation of and to cause Supremex to pay any such Advisors.
- (2) The Committee is authorized to communicate directly with the External Auditor as it sees fit.
- (3) The Committee also has the authority to delegate certain responsibilities to individual members or subcommittees of the Committee in accordance with NI 52-110.
- (4) If considered appropriated by it, the Committee is authorized to conduct or authorize investigations into any matters within the Committee's scope of responsibilities, and to perform any other activities as the Committee deems necessary or appropriate.
- (5) The Committee is a committee of the Board and is not and shall not be deemed to be an agent of Supremex' shareholders for any purpose whatsoever. The Board may, from time to time, permit departures from the terms hereof, either prospectively or retrospectively, and no provision contained herein is intended to give rise to civil liability to security holders of Supremex or to any other liability whatsoever.

Revision November 6, 2018

Revised December 10, 2018

Revised February 27, 2019 and approved at BOD March 20, 2019