



# ANNUAL INFORMATION FORM

**For the fiscal year ended March 31, 2022**

June 15, 2022

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## FORWARD-LOOKING STATEMENTS

Certain statements contained under the headings “Description of the Business” and “General Development of the Business over the last three fiscal years” of this annual information form constitute forward-looking statements. These statements relate to future events or the Corporation’s future performance, business or opportunities. All statements other than statements of historical fact may be forward-looking statements. The use of any of the words “aim”, “anticipate”, “assumption”, “believe”, “continue”, “expect”, “foresee”, “forecast”, “guidance”, “intend”, “may”, “plan”, “predict”, “should”, “will” and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Corporation believes the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct, and such forward-looking statements included in this annual information form should not be unduly relied upon. Unless otherwise required by applicable securities laws, the Corporation expressly disclaims any intention, and assumes no obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise. These statements only hold true as of the date of this annual information form and reference is made to the “Risk Factors” subheading for further discussion about the inherent risks and uncertainties surrounding future expectations. These factors should not be construed as exhaustive.

Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to assumptions about:

- The impact of worldwide general economic conditions;
- Industry conditions including changes in laws and regulations;
- The impact of ongoing COVID-19 pandemic;
- The impact of ongoing Russian-Ukrainian conflict;
- The level of competition;
- The lack of availability of qualified personnel or management;
- The availability of commodities and fluctuations in commodity prices;
- Financial and operational performance of suppliers and customers;
- Foreign exchange or interest rate fluctuations; and
- The impact of accounting policies issued by international standard setters.

## Currency

All amounts in this Annual Information Form are in Canadian dollars, unless otherwise indicated.

## 1. CORPORATE STRUCTURE

### 1.1 Name, Address and Incorporation

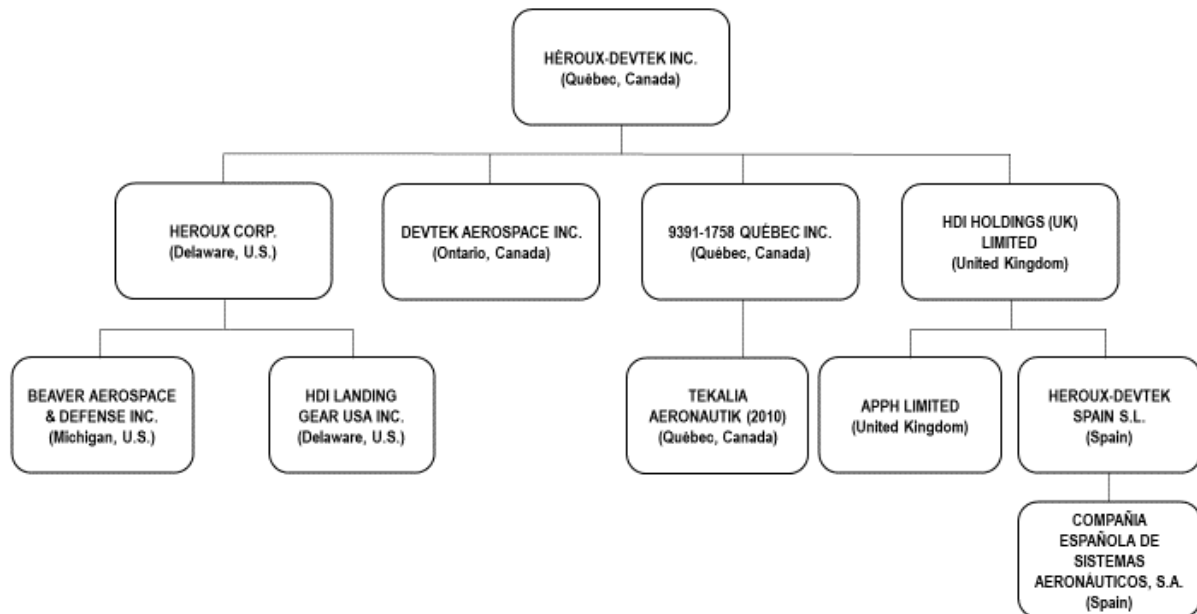
Héroux-Devtek Inc. (the “**Corporation**” or “**Héroux-Devtek**”) was initially incorporated on March 17, 1942 by letters patent issued pursuant to Part I of the *Companies Act* (Québec) under the name Héroux Machine Parts Limited. Supplementary letters patent amending the Corporation’s borrowing powers, name and share capital, among other provisions, were issued on July 6, 1943, August 17, 1947, March 13, 1967, May 25, 1978 and December 15, 1978. The Corporation was continued under Part IA of the *Companies Act* (Québec) by a certificate of continuance dated September 30, 1982. The Corporation is now subject to the *Business Corporations Act* (Québec) which was enacted on February 14, 2011.

On June 26, 1985, the Corporation amalgamated with 2320-4894 Québec Inc., a management company incorporated by the Corporation’s then two senior executives, Gilles Labbé and Sarto Richer, in connection with the sale by Bombardier Inc. of its shares in the Corporation. In June 2000, the Corporation announced the successful completion of its take-over bid for all the shares of Devtek Corporation (“**Devtek**”), a public company whose shares were listed on the Toronto Stock Exchange (the “**TSX**”). Devtek was a Toronto-based manufacturer of systems, assemblies, and components for the aerospace industry. Following this, articles of amendment were filed on September 8, 2000 to change the Corporation’s name to its current name, effective June 12, 2000.

The Corporation has its principal and registered offices at 1111 Saint-Charles Street West, Suite 600, West Tower, Longueuil, Québec, J4K 5G4. The Corporation’s fiscal year-end is March 31<sup>st</sup>. Unless indicated otherwise, “Corporation” or “Héroux-Devtek” when used hereinafter refer to Héroux-Devtek Inc. and its subsidiaries.

## 1.2 Subsidiaries and Inter-corporate Relationships

The following organization chart shows the simplified corporate structure of the Corporation and its subsidiaries, all of which are wholly-owned, either directly or indirectly. The subsidiaries not listed here are holding or dormant entities that do not generate operating revenues or hold any operating assets.



## 2. DESCRIPTION OF THE BUSINESS

### 2.1. Business Overview

The Corporation is an international company specializing in the design, development, manufacture and repair and overhaul ("**R&O**") of landing gear, hydraulic and electromechanical flight control actuators, custom ball screws and fracture-critical components. The Corporation has also built a strong, well-recognized design engineering team. Héroux-Devtek is the third largest landing gear company in the world based on sales, supplying both the civil and defence sectors.

### 2.2. Aerospace Segment

The Aerospace segment is divided into two main markets: the civil market and the defence market. Defence aircraft are manufactured by many of the same original equipment manufacturers ("**OEM**") as commercial aircraft but are mainly sold to governments.

While as a whole, this means that Héroux-Devtek's customers remain OEMs from an original equipment standpoint, this means that the demand for aircraft varies according to different factors. Commercial and business aircraft demand can be forecasted based on passenger travel and gross domestic product ("**GDP**"), whereas defence aircraft demand is driven by geopolitical climate and defence budgets.

#### *COVID-19 pandemic*

The COVID-19 pandemic continued to exert a major toll on passenger travel activity throughout 2021, which greatly affected civil market demand and the corresponding production rates, particularly for twin-aisle aircraft. On the other hand, defence spending remained relatively immune to the pandemic this past year and will most likely continue to increase over the next quarters in response to escalating geopolitical tensions and a strengthening of the North Atlantic Treaty Organization ("**NATO**") alliance, likely leading to an increase in orders for certain defence aircraft programs.

In late 2021, the Omicron variant and its various sub-variants brought about additional challenges, namely to the stability and reliability of the entire production system, leading to delays in the delivery of key components and materials. In early 2022, the Russia-Ukraine conflict has exacerbated supply chain challenges<sup>1</sup>. Russia and Ukraine are both major producers of metals used for critical components. Ukraine's production was indeed hampered, and Russia's export opportunities are limited as a result of political and economic sanctions<sup>2</sup>. Commodity prices are expected to rise even further as global demand for metals increases while production remains stagnant.

In accordance with the forecasts presented in this section, drawn from recent reports published by key industry associations and analysts, such as reports from the International Air Transport Association ("IATA"), a full recovery of air traffic to pre-pandemic levels is expected in 2024<sup>3</sup>. Recently, travel restrictions were lifted in many countries, therefore encouraging passengers to re-engage in both local and international travel. The trend is forecasted to continue unless the epidemiological situation worsens unexpectedly.

### *Civil Market*

#### Passenger activity

As a result of the evolution of government-imposed travel restrictions in some countries, expectations for full recovery are now higher than in previous months. Nevertheless, the threat of new COVID-19 variants remains and could lead to further disruptions, as experienced with Omicron. Indeed, overall passenger numbers in 2021 were 47% lower than in 2019, pre-pandemic. Passenger activity is expected to rise to 83% of 2019 levels in 2022, 94% in 2023, 103% in 2024, and 111% in 2025<sup>4</sup>. The revenue passenger kilometers ("RPKs") increased by 115.9% year-over-year in February 2022 but stood at 54.5% of the levels of February 2019<sup>5</sup>.

The pandemic has led to some changes in passenger behaviour which continued to endure throughout this past year, with a shift to short-haul and domestic flights. As evidence, in 2021, domestic traveller numbers were 61% of 2019 levels, ending at nearly 76% in December, while international traveller numbers represented 27% of 2019 levels, and closed the year at close to 42%. These changes in traveller habits are already translating in a higher demand for narrow-body aircraft. Indeed, according to Air Lease Corporation (ALC), global demand for narrow-body aircraft has recovered<sup>6</sup>.

#### Global production backlog and long-term perspectives

Globally, the civil aircraft backlog stood at 12,218 at the end of December 2021<sup>7</sup>, which represents a 9.0% decline from the same time last year. Deliveries totaled 951 aircraft for 2021, almost identical to last year deliveries<sup>8</sup>. Airbus and Boeing both went through a COVID-19 recovery phase in 2021, which is reflected in the results. Over the long term, Boeing recently revised its 20-year forecasted demand to 43,500 new commercial aircraft<sup>9</sup>, a figure only slightly below the pre-pandemic forecast of 44,000.

#### Business jets

Compared to the large commercial aircraft segment, business jet deliveries have been relatively resilient to the market effects of COVID-19, and have in fact recovered from it faster, with 2021 deliveries nearly reaching pre-pandemic levels<sup>10</sup>. Part of this recovery has been due to changing passenger habits. Over the next ten years, Teal Group forecasts a total output of 10,813 business aircraft worth \$244.5 billion. In comparison, the previous decade (2011-2020) saw 10,180 business aircraft produced for a total value of \$238.4 billion<sup>11</sup>.

#### Air cargo

The cargo market was strong throughout calendar 2021, with cargo tonne kilometers ("CTK") exceeding pre-pandemic levels all year-long. In March 2022, however, CTks suffered a notable decrease, falling slightly below pre-pandemic levels. The rapid spread of Omicron across Asia, particularly in China, is prompting additional lockdowns and labour shortages. These have had a significant impact on manufacturing hubs in China and Asia, which has affected air freight traffic<sup>12</sup>. In the long term, driven by persistent demand associated with rising e-commerce and air freight's speed and dependability, the global freighter fleet is estimated to be 70% larger in 2040 than it was pre-pandemic.

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<sup>1</sup> Source: Supply of Critical Minerals Amid the Russia-Ukraine War and Possible Sanctions, Columbia | SIPA Center on Global Energy Policy, April 19, 2022

<sup>2</sup> Source: Invasion halts Ukraine steel shipments; appetite wanes for Russian steel, S&P Global Commodity Insights, February 24, 2022

<sup>3</sup> Source: Air Passenger Numbers to Recover in 2024, IATA, March 1, 2022

<sup>4</sup> Source: Air Passenger Numbers to Recover in 2024, IATA, March 1, 2022

<sup>5</sup> Source: Air Passenger Market Analysis, IATA, February 2022

<sup>6</sup> Source: ALC Sees Strong Recovery In Narrowbody Aircraft Demand, Simple Flying, November 06, 2021

<sup>7</sup> Source: Airbus and Boeing Report Q4 and Full-Year 2021 Commercial Aircraft Orders and Deliveries, Forecast International, January 18, 2022

<sup>8</sup> Source: Airbus, Boeing Report 2021 Commercial Aircraft Deliveries, Aviation Today, January 12, 2022

<sup>9</sup> Source: Commercial Market Outlook 2021–2040, Boeing, September 2021

<sup>10</sup> Source: Business Aviation: GAMA Year End 2021 Results, GAMA, February 23, 2022

<sup>11</sup> Source: World Military & Civil Aircraft Briefing, Teal Group Corporation, November 2021

<sup>12</sup> Source: Air cargo volumes fall to late-2020 levels, IATA, March 2022

## Defence Market

### Military expenditures

Global military spending surged in 2021, hitting new records as Russia prepared its invasion of Ukraine, forecasting that the trend would continue in Europe in particular. Despite the financial consequences of the worldwide COVID-19 pandemic, governments all around the globe upgraded their arsenals, with global military spending increasing. Indeed, expenses totalled \$2.1 trillion, a 5% increase compared to the previous year. 2021 marks the 7th year of consecutive increase in defence spending<sup>13</sup>.

However, as a percentage of GDP, world military expenditures stood at 2.2%, compared to 2.3% in 2020. This small decrease is due to the strong economic recovery in 2021. In reaction to Russia's invasion of Ukraine in February 2022, numerous European NATO member nations declared intentions to increase military expenditures to meet or surpass the NATO spending objective of 2% of GDP or more in the coming months.

Military spending in the United States ("U.S.") fell marginally to 3.5% of GDP in 2021 from 3.7% of GDP in 2020. The U.S. Department of Defense reported that military spending in 2021 was \$801 billion, down 1.4% from 2020. In 2022, the budget is anticipated to grow due to a \$29 billion spending increase requested by President Joe Biden in April 2022<sup>14,15</sup>.

Amongst other commitments, on March 16, 2022, Germany's coalition cabinet was presented with a draft law creating a special defence fund totalling \$112 billion<sup>16</sup>. This money will be used to increase German defence spending from roughly 1.5% of GDP to at least 2%.

China raised expenditures by 4.7%, marking the 27th consecutive year of increases. As a result of the country's military expansion, its neighbouring countries have increased their own military spending, with Japan contributing \$7 billion for a total budget of \$47.2 billion<sup>17</sup>.

### Fighter jets

The fighter jet market continues to represent the second-largest segment of the world aircraft production market over the next decade, accounting for over US\$319 billion over the next decade. Deliveries have averaged \$19 billion each year (in 2021 USD) during the last five years (2016-2020). Calendar 2022 figures are expected to approximate 290 deliveries valued at \$23 billion<sup>18</sup>.

Between 2021 and 2030, specialists forecasted the production of 4,305 fighter jets valued at \$325.2 billion (in 2021 USD). In comparison, between 2011 and 2020, a total of 2,605 aircraft were manufactured<sup>19</sup>. The high projections reflect aging fleets, high levels of global tension and high levels of utilization. According to Teal Group forecasts, the F-35 will account for 47.2% of the market in terms of value over the next ten years. Other programs, such as the F-18, F-15, Gripen and Eurofighter are expected to make up over 15% of the balance.

Refer to *Forward-Looking Statements* for further information regarding forward-looking statements and related risks.

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<sup>13</sup> Source: World military expenditure passes \$2 trillion for first time, Stockholm International Peace Research Institute, April 25, 2022

<sup>14</sup> Source: Biden Approves \$29 Billion Increase in Defense Budget, Arms Control Association, April 2022

<sup>15</sup> Source: 2022 aerospace and defense industry outlook, Deloitte, January 2022

<sup>16</sup> Source: Explainer: The proposed hike in German military spending, Stockholm International Peace Research Institute, March 25, 2022

<sup>17</sup> Source: Japan Approves Record Defense Budget for Fiscal Year 2022, The Diplomat, December 27, 2022

<sup>18</sup> Source : World Military & Civil Aircraft Briefing, Teal Group Corporation, February 2022

<sup>19</sup> Source : World Military & Civil Aircraft Briefing, Teal Group Corporation, November 2021

### 2.3. Decentralized Operations

The Corporate Office, located in Longueuil, Quebec, is involved in all major business development decisions, including strategic and long term goals for the Corporation, mergers and acquisitions, regulatory matters, IT technology, HR, finance, tax, legal matters, internal audit and public reporting. The Corporate Office also provides valuable supervisory, administrative services and leadership monitoring to the various business units' key management personnel. Business units otherwise have their own operational, financial and personnel management and act in a decentralized manner under a common framework of processes and controls.

The specialization of each operating site is as follows:

St-Hubert	Québec, Canada	Center of excellence for design engineering, product support and technical expertise including a state-of-the-art testing facility.
Longueuil	Québec, Canada	Center of excellence for R&O activities and for the finishing and assembly of landing gear.
Laval	Québec, Canada	Center of excellence for manufacturing and assembly of actuators and manufacturing of small to medium landing gear components.
Montréal	Québec, Canada	Center of excellence for surface treatment of aerospace components.
Kitchener	Ontario, Canada	Center of excellence for manufacturing of medium to large complex landing gear components.
Cambridge	Ontario, Canada	Center of excellence for manufacturing ultra-large-scale complex landing gear components.
Toronto	Ontario, Canada	Center of excellence for electronic enclosures, heat exchangers and cabinets.
Everett	Washington, U.S.	Center of excellence for final assembly of landing gear.
Springfield	Ohio, U.S.	Center of excellence for manufacturing of medium to large complex landing gear and titanium components.
Strongsville (Greater Cleveland)	Ohio, U.S.	Center of excellence for the finishing and assembly of landing gear.
Livonia	Michigan, U.S.	Center of excellence for design and manufacture ball screws and electro-mechanical linear actuators system.
Runcorn	Cheshire, U.K.	Center of excellence for R&O activities, finishing and assembly of landing gear, product support, testing and design engineering.
Nottingham	Nottinghamshire, U.K.	Center of excellence for manufacturing of small to medium landing gear components.
Madrid	Spain	Center of excellence for designing, engineering, assembly and support for landing gear and actuation systems
Seville	Spain	Center of excellence for assembly and installation of aircraft components at customer assembly lines.

### Competition

The markets in which the Corporation is active are characterized by tough competition with respect to price, delivery deadlines and quality of products and services.

The Corporation ranks third in the world in the landing gear manufacturing market based on sales volume. It is also involved in the landing gear and servomechanism R&O market. It is one of the largest independent providers of R&O services for military aircraft landing gear. Héroux-Devtek's main competitors are Safran Landing Systems, Collins Aerospace, Liebherr, and AAR Corporation.

Management is of the opinion that the Corporation has a number of advantages over its competitors, such as its flexible and cost-effective management structure, its renowned quality, the reputation of its products and services, its international presence (North America and Europe) and its strong engineering team.

## Marketing Approach

The majority of the Corporation's business comes from aircraft OEMs or end users or distributors. A critical success factor is to take part in aircraft development programs from the beginning. Usually, this participation starts at the design stage, allowing it to enter programs as a risk-sharing partner.

Sales opportunities are derived from maintaining strong customer relationships, gathering market intelligence and attending various trade shows and operator conferences.

## Customer Base

The Corporation serves a broad range of customers in the different markets in which it operates, mainly OEMs and Tier 1 system suppliers. The customer base includes Airbus, Boeing, Dassault Aviation, Embraer, Leonardo, Lockheed Martin, Saab, Safran Landing Systems and Collins Aerospace and end users in the aftermarket where its largest customer is the U.S. Air Force.

## Principal Customers

The top 4 of Héroux-Devtek's customers represent approximately 44% of consolidated sales, including one customer representing 15% of its consolidated sales. No other customer accounted for more than 10% of the Corporation's consolidated sales in the fiscal year ended March 31, 2022.

## Research and Development

The Corporation's research and development ("R&D") costs for the year ended March 31, 2022 were incurred essentially by landing gear and actuation activities. They usually relate to specific development programs and are therefore included in these contracts' costs.

### 2.4. Human Resources

The following table shows the total number of employees of the Corporation as at March 31, 2022 and 2021:

<b>Operations/Corporate Office</b>	<b>Number of Employees as at March 31,</b>	
	<b>2022</b>	<b>2021</b>
Operations	<b>1,766</b>	1,798
Corporate Office	<b>26</b>	26
<b>Total</b>	<b>1,792</b>	1,824

### 2.5. Environmental Matters

The Corporation's activities are subject to certain environmental laws and regulations associated with risks to the environment and human health. The Corporation is confident that it is in substantial compliance with all applicable environmental laws and regulations. As part of its environmental management system, the Corporation carries out Environmental Compliance Audits ("ECA") with external environmental auditors at least once every three years at all its manufacturing sites. In particular, five manufacturing plants of the Corporation are considered to be of higher potential environmental risk, due to the nature of their operations, which include various plating and chemical processes. These plants are audited on a yearly basis. ECAs were performed in 8 manufacturing sites in calendar year 2021 and an additional 7 ECAs are planned in calendar year 2022. All non-compliance findings identified either during these audits, or as part of the day-to-day operations, were or are being corrected in a timely manner. No non-compliance issues or findings reported in the ECAs represent unusual risks to the operations of the Corporation.

In addition, certain environmental conditions that may result from spills or discharge limit exceedances identified as part of the day-to-day operations have been reported to government authorities when required. In all such cases, corrective measures were explored and solutions were or are being implemented. Management of the Corporation is confident that it has taken all appropriate actions to maintain the level of risk within acceptable limits at all its manufacturing plants.

The Corporation's Environmental Policy is communicated to all employees. Héroux-Devtek's lean management structure allows them to be in very close proximity to its operations and ensures effective and comprehensive two-way communications between all organizational levels.

The Corporation is committed to make all the necessary investments in order to continually meet or exceed all environmental requirements and standards.

### 2.6. Health and Safety

The safety of Héroux-Devtek's employees is the Corporation's number one priority. While compliance with applicable legal requirements represents a minimum, management prefers to establish standards which may impose even more stringent obligations. The Corporation also believes that senior management plays a vital role in establishing a culture that supports occupational health and safety programs and initiatives.



Accordingly, Héroux-Devtek is committed to eliminating all work-related injuries and illnesses by providing a safe and healthy workspace and proactively identifying and addressing all inherent risks. The Corporation's health and safety programs combine clear leadership by management, the participation of all employees and functions, and the use of appropriate safety equipment and technology in all stages of operations. Héroux-Devtek encourages employees to play an active role in identifying hazards and to offer suggestions or ideas to improve the safety program.

## **2.7. Risk Factors**

The Corporation's business, financial condition and results of operations could be materially adversely affected by any of the risks and uncertainties described below. The risks and uncertainties described below are not the only ones facing the Corporation. For other risks and uncertainties facing the Corporation, reference is made to the section entitled "*Risk Management*" of the Corporation's Management's Discussion and Analysis for the fiscal year ended March 31, 2022 (filed on SEDAR at [www.sedar.com](http://www.sedar.com)), which section is hereby incorporated in, and forms part of, this annual information form. Additional risks and uncertainties not presently known to the Corporation or that the Corporation currently believes to be immaterial may also adversely affect its business.

### **Supply Chain, COVID-19 and General Economic Conditions Risks**

The COVID-19 pandemic has created a period of unprecedented volatility and uncertainty in global economic conditions. The ongoing COVID-19 pandemic, including the emergence of variants, continues to impact the global economy, disrupt global supply chains and create significant economic uncertainty and disruption of financial markets. While the aerospace and defence industries have proven over the long-term to be relatively resilient in the face of economic turmoil, they are not immune to downturns. Such market conditions may also be caused by any number of factors, including but not limited to political instability, terrorist activity, or natural disasters. Such unfavourable conditions could negatively impact the Corporation through decreased sales and increased costs affecting the Corporation's profitability.

The pressure on the supply chain resulting from the COVID-19 pandemic, geopolitical tensions or other causes could lead to supply disruptions for the Corporation. Prolonged disruption in the supply chain could have a material adverse effect on the Corporation's operations, significantly increase the cost of operating its business and significantly reduce its margins and profitability.

Also, reductions in quality and reliability of supply could result in material adverse effects on the Corporation's business and results.

Héroux-Devtek has put in place several measures in order to mitigate these risks, including:

- managing supplier-related risks through frequent supplier audits and maintaining high standards, such as requiring AS9100 and Nadcap certification;
- tracking and monitoring supplier performance and mitigating potential losses by ensuring poor quality, if any, is detected through internal quality management;
- in-source manufacturing or finishing of many key parts in the event of critical issues in the supply chain;
- managing costs, capital and profitability in such a fashion as to maintain a healthy financial position, allowing for more resiliency in the event of unexpected downturns.

Despite all the measures taken by the Corporation to mitigate these risks and provide a safe work-environment, the Corporation is unable to predict the overall impact on its operations, liquidity or results.

### **Risk Associated with Business Activities**

The activities conducted by the Corporation are subject to operational risks that include competition from other businesses, performance of key suppliers, product performance warranties, in particular for proprietary products and major sales contracts, regulatory risks, successful integration of new acquisitions, dependence on key personnel and reliance on information systems, all of which could affect the Corporation's ability to meet its obligations.

However, the Corporation has implemented risk-mitigation strategies and controls, in light of these operational risks, which include the following, among others:

- processes to ensure proper bid approvals, planning, execution and use of quality standards at all stages of new design, manufacture or built-to-print products and assemblies, and R&O services. This includes the risk assessment of achieving the targeted revenues (firm-fixed price contracts, escalation clauses, etc.) and related product costs;
- development of long-term agreements and competitive bidding processes with main suppliers.

The Corporation is subject to the risk of litigation in the ordinary course of business by employees, customers, suppliers, competitors, shareholders, government agencies, or others, through private actions, class actions, administrative proceedings, regulatory actions or other litigation. The outcome of litigation is difficult to assess or quantify. Claimants in these types of lawsuits or claims may seek recovery of very large or indeterminate amounts, and the magnitude of the potential loss relating to these lawsuits or claims may remain unknown for

substantial periods of time. Regardless of outcome, litigation could result in substantial costs to the Corporation. In addition, litigation could divert management's attention and resources away from the day-to-day operations and strategic objectives.

### **Risks Associated with Contracts**

Although the Corporation has diversified its customer base in recent years, its business volume with some customers remains significant. Should there be a significant deterioration in their financial position or should the Corporation lose certain orders from these customers, there could be a material negative downturn of its results.

### **Risks Associated with Foreign Operations and Sales**

During the fiscal year ended March 31, 2022, approximately 94% of the Corporation's sales (90% for fiscal 2021) were made outside Canada, including 58% in the U.S. (53% for fiscal 2021). The majority of sales are in U.S. currency. In an effort to mitigate the foreign currency fluctuation exposures, the Corporation has put in place a foreign currency hedging policy.

As at March 31, 2022, the Corporation had forward foreign exchange contracts outstanding for a notional amount of \$341.6 million denominated in USD, EUR and GBP. This amount is largely comprised of contracts with nominal value of US\$219.5 million at a weighted-average rate of 1.2888 to sell U.S. Dollars in favour of Canadian Dollars and contracts with nominal value of US\$35,540 convertible into EUR at an average rate of 0.8709 (US\$197.5 million at a weighted-average rate of 1.3161 CAD/USD as at March 31, 2021). These contracts mature at various dates between April 2022 and March 2026, with the majority maturing during fiscal years 2023 and 2024 .

The following tables show the distribution of sales from operations by country of origin and country of destination over the periods indicated.

Sales Destined To:	Fiscal Years ended March 31		
	(%)		
	2022	2021	2020
Canada	6%	10%	9%
U.S.	58%	53%	54%
U.K.	7%	8%	10%
Spain	7%	8%	8%
Rest of Europe	14%	13%	11%
Other countries	8%	8%	8%
<b>Total:</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

### **Sales by Sector**

For fiscal 2022, defense related sales from operations represented 72.1% (66.1% for fiscal 2021 and 53.7% for fiscal 2020) of the Corporation's total consolidated sales, compared to civil related sales of 27.9% (33.9% for fiscal 2021 and 46.3% for fiscal 2020).

## **3. GENERAL DEVELOPMENT OF THE BUSINESS OVER THE LAST THREE FISCAL YEARS**

The following events and conditions have affected the general development of the business of the Corporation over the last three fiscal years.

### **Fiscal Year ended March 31, 2020 (Fiscal Year 2020)**

On April 8, 2019, the Corporation announced that it had been awarded a contract by Boeing to supply the complete landing gear system for the MQ-25 unmanned aerial refueling program. This new contract award represents the fourth complete aircraft landing gear program collaboration with the world's largest aerospace company and could represent a significant new long-term opportunity for Héroux-Devtek. The MQ-25 is the U.S. Navy's first operational carrier-based unmanned aircraft and is designed to provide a much-needed refueling capability. The contract supports Boeing's engineering and manufacturing development program to provide four MQ-25 aircraft to the U.S. Navy for Initial Operational Capability by 2024.

On May 21, 2019, the Corporation announced that it had concluded its previously announced agreement to supply the main landing gears for Boeing's F/A-18E/F Super Hornet and EA-18G Growler and has extended the scope of the agreement to include the manufacturing of the nose and main landing gears for Boeing's F-15 program. The extended scope will also include the supply of spare parts and aftermarket services for both defense aircraft programs and covers a period of performance of five years. The original supply agreement, announced on July 17, 2018, provided for the manufacture and assembly of main landing gears and side braces for Boeing's F/A-18E/F Super Hornet and EA-18G Growler. This extended "Indefinite Delivery / Indefinite Quantity" scope now also includes the delivery of spare parts and aftermarket services for these landing gears. Additionally, the agreement has been extended to include the manufacture and assembly of the nose and main landing gears for Boeing's F-15 fighter jets, including spare parts and aftermarket services. First deliveries occurred at the end of fiscal 2022.

On June 10, 2019, the Corporation announced the acquisition of all the outstanding shares of Montreal-based Alta Precision Inc., a manufacturer of high precision landing gear components. The transaction was valued at \$23 million and was funded through the Corporation's credit facilities.

#### ***Fiscal Year ended March 31, 2021 (Fiscal Year 2021)***

On May 5, 2020, the Corporation announced restructuring initiatives in light of the COVID-19 pandemic's significant negative impact on demand for commercial aerospace products. These initiatives, which were forecast to cost approximately \$12 million, affected 15% of the Corporation's workforce, or approximately 315 employees, and included the closure of the Alta Precision and APPH Wichita facilities.

On October 5, 2020, the Corporation announced that its CESA subsidiary in Spain had been awarded a major multi-year contract by The Boeing Company to manufacture new actuation components for several commercial aircraft platforms. The contract scope includes the supply of production requirements and spare parts for the 787, 777, 777X, 767 (including the Tanker version), and 747. This award also led to full qualification by Boeing of CESA's design capabilities and special processes, enabling further potential opportunities.

#### ***Fiscal Year ended March 31, 2022 (Fiscal Year 2022)***

On May 6, 2021, the Corporation announced that it was selected by Dassault Aviation to design, develop and manufacture the landing gear system for the new Falcon 10X's landing gear. The agreement also includes the delivery of spare parts and aftermarket services for the life of the program.

On May 20, 2021, the Corporation announced a normal course issuer bid ("**NCIB**") approved by the TSX. Under the NCIB, Héroux-Devtek had the right to purchase for cancellation, from May 25, 2021 to May 24, 2022, a maximum of 2,412,279 common shares, representing, as of May 12, 2021, 10% of the public float of 24,122,794 common shares. See the heading *Normal Course Issuer Bid And Share Purchases for Cancellation* below.

On June 17, 2021, the Corporation announced the extension of its Senior Secured Syndicated Revolving Credit Facility (the "**Revolving Facility**") and its Unsecured Subordinated Term Loan Facility (the "**Term Loan Facility**") with the Fonds de solidarité FTQ. The Revolving Facility was extended to a new five-year term, now maturing in June 2026. Aside from this 18-months extension, the accordion feature which allowed the Corporation to draw an additional \$100 million, subject to lenders' approval, has been increased to \$200 million. The Term Loan Facility has been extended three years from the initial term and now matures in September 2028.

On October 28, 2021, the Corporation announced that it has entered into an agreement with aircraft manufacturer Lockheed Martin for the development of landing gears for its next generation of defence aircraft. The new contract will focus on the development of a completely new generation of landing gears.

On November 8, 2021, the Corporation announced a six-year extension of its contract with Boeing to supply complete landing gear systems for the Boeing 777 and 777X family.

On November 22, 2021, the Corporation announced the entering into a private agreement with 2945-0228 Québec inc. ("**2945**"), a company controlled by Gilles Labbé, for the repurchase for cancellation of 804,000 common shares of Héroux-Devtek at a price of \$18.12 per share.

#### ***Recent Development***

On May 19, 2022, the Corporation announced a new NCIB approved by the TSX. Under this new NCIB, Héroux-Devtek has the right to purchase for cancellation, from May 25, 2022 to May 24, 2023, a maximum of 1,896,079 common shares, representing, as of May 11 2022, 10% of the public float of 18,960,792 common shares.

## **4. DIVIDENDS**

Over the last three fiscal years, the Corporation did not pay dividends on any of its securities. The Corporation does not intend to pay dividends on any of its securities in the foreseeable future.

## **5. DESCRIPTION OF CAPITAL STRUCTURE**

### ***Authorized Share Capital***

The Corporation's authorized share capital consists of an unlimited number of common shares, 34,486,776 of which were outstanding as at March 31, 2022, and an unlimited number of first preferred shares and second preferred shares (collectively the "**Preferred Shares**"), none of which were outstanding as at March 31, 2022.

### ***Preferred Shares***

The Preferred Shares are issuable at any time in one or more series as the Corporation's Board of Directors may determine. The Preferred Shares, when issued, shall have preference over the Common Shares with respect to the payment of dividends and return of capital. The Second Preferred Shares shall rank junior to the First Preferred Shares with respect to the payment of dividends and return of capital.

Subject to the provisions of the *Business Corporations Act* (Québec), the holders of Preferred Shares are neither entitled to receive notice of or attend any meeting of shareholders of the Corporation, nor to vote at any such meeting.

#### *Common Shares*

Subject to the rights, privileges, restrictions and conditions applicable to the Preferred Shares as a class, the common shares entitle their holders: (i) to vote, on the basis of one vote per common share held, whenever a shareholders' vote is held; (ii) to receive any dividend declared by the Corporation other than dividends declared on the Preferred Shares; and (iii) to share proportionately in the remaining assets of the Corporation in the event of its liquidation or dissolution.

## 6. MARKET FOR SECURITIES

The common shares are listed and posted for trading on the TSX under the symbol "HRX". The following table indicates the price ranges at the close of the market on the TSX and volume traded on the TSX on a monthly basis for each month of the most recently completed fiscal year:

Period	High	Low	Volume (Common Shares)
<b>2021</b>			
April	17.25	15.50	645,673
May	18.23	15.51	867,524
June	18.90	17.06	585,957
July	18.35	16.26	463,720
August	19.20	17.40	207,477
September	19.65	17.32	267,355
October	18.88	17.30	225,901
November	19.40	16.50	300,161
December	18.10	16.42	377,505
<b>2022</b>			
January	18.59	16.02	284,694
February	18.26	16.05	844,752
March	17.99	16.53	737,869

### **Prior Sales**

For additional information with respect to prior sales during the fiscal year 2022 of each class of securities not listed, please refer to the section entitled "**Issued Capital**" in the Management's Discussion and Analysis of the Corporation for the fiscal year ended on March 31, 2022 on the Corporation's Web site at [www.herouxdevtek.com](http://www.herouxdevtek.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Normal Course Issuer Bid and Share Purchases for Cancellation**

NCIBs enable the Corporation to purchase up to 10% of the public float of the Corporation's common shares for cancellation on the open market through the facilities of the TSX and through alternative trading systems, as well as outside the facilities of the TSX by private agreements pursuant to exemption orders issued by securities regulators. A copy of the Corporation's Notice of Intention relating to its NCIBs may be obtained free of charge from the Secretary. See the heading Additional Information at the end of this annual information form. The Corporation believes that NCIBs are flexible means to optimize the capital allocation and provide immediate value for shareholders while not compromising future growth initiatives.

#### *Fiscal 2022 NCIB*

On May 20, 2021, the Corporation announced a NCIB for the purchase for cancellation of up to 2,412,279 shares (the "**Fiscal 2022 NCIB**"). The Corporation was authorized to purchase common shares under the Fiscal 2022 NCIB commencing on May 25, 2021 until May 24, 2022, or until such earlier date when the Corporation will either have acquired the maximum number of common shares allowable under the Fiscal 2022 NCIB or elected to terminate the NCIB. The Corporation completed the amount of repurchases and cancellation allowed under the Fiscal 2022 NCIB and 2,412,279 shares were repurchased at an average cost per share of \$17.83 for a total cost of \$43.0 million. The repurchased shares included 804,000 common shares purchased for cancellation from 2945, a holding corporation controlled by Mr. Gilles Labbé, for cash consideration of \$14.6 million. The repurchase was made pursuant to an exemption order issued by the Autorité des marchés financiers, the securities regulator for the Province of Quebec, and was considered within the annual aggregate limit that the Corporation was entitled to repurchase under the Fiscal 2022 NCIB.

#### *Fiscal 2023 NCIB*

In May 2022, the Corporation filed a notice with the TSX of its intention to initiate a new NCIB for purchase and cancellation of up to 1,896,079 of its issued and outstanding common shares (the "**Fiscal 2023 NCIB**"). The Corporation is authorized to purchase common shares commencing on May 25, 2022 and may continue to do so until May 24, 2023, or until such earlier date when the Corporation will either have acquired the maximum number of common shares allowable under the Fiscal 2023 NCIB or elected to terminate the NCIB. As at June 14, 2022, the Corporation had purchased for cancellation 75,090 common shares under its NCIB for approximately 1.2 million at a weighted average price of \$15.71 per common share.

## 7. SHARES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

Under a shareholders' agreement dated November 13, 2014 between 2945 and Caisse de dépôt et placement du Québec ("CDPQ"), (the "Shareholders Agreement"), if and when 2945 holds 2,600,000 or less common shares of the Corporation, CDPQ will enjoy a right of first opportunity to purchase any common shares of the Corporation that 2945 intends to transfer. The Shareholders Agreement also provides that the parties must obtain the prior written consent of the other party to exercise the voting rights attached to their common shares of the Corporation on certain matters relating *inter alia* to: changes in the nature of the operations of the Corporation; amendments to the Corporation's Articles or by-laws or changes to its capital structure; and, in certain circumstances, the distribution of assets by the Corporation. The Shareholders Agreement may be terminated by written consent of the parties or if any of the party become insolvent, bankrupt or is dissolved, if CDPQ's participation in the Corporation is less than 10% or if 2945's participation in the Corporation is less than 5%.

On November 13, 2014, Héroux-Devtek and CDPQ also entered into an investor rights agreement (the "Investor Rights Agreement"), under which CDPQ enjoys, among others, a preemptive right, a right to recommend a candidate to be elected to the Board of Directors of the Corporation and a right to obtain certain information subject to an obligation of confidentiality and to applicable securities laws.

### SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

Designation of class	Number of securities subject to a contractual restriction on transfer	Percentage of class
Common Shares	2,600,000	7.54%

## 8. DIRECTORS AND EXECUTIVE OFFICERS

The names, provinces and countries of residence of the directors and executive officers of the Corporation as at March 31, 2022, their principal occupations and the year in which each director first became a director are set out below.

### Directors

All directors have served continuously as a director since they were first elected or appointed. The present term will expire immediately prior to the election of directors at the next Annual Meeting of Shareholders, which is scheduled to be held on August 5, 2022.

Name	Principal Occupation during the five preceding years	Director Since	Common Shares held as at March 31, 2022
Nathalie Bourque <sup>(1)</sup> Québec, Canada	Corporate Director. Consultant in public relations, government relations and financial communications. From 2012 to 2020, member of the board and of the human resources and corporate governance committee of Alimentation Couche-Tard Inc. From 2017 to February, 2020, member of the board and of the audit committee and chair of the human resources and corporate governance committee of Hexo Corporation. From 2005 to 2015, Vice President, Public Affairs and Global Communications at CAE Inc. Prior to 2005, partner at NATIONAL Public Relations.	2015	17,000
Martin Brassard, Québec, Canada	President and Chief Executive Officer, Héroux-Devtek Inc. since June 2019; Executive Vice-President and Chief Operating Officer from November 2014 to June 2019.	2019	224,554
Didier Evrard <sup>(1)</sup> France	Corporate Director. A 40-year European aerospace veteran, from 2015 to 2018, Mr. Evrard served as Executive Vice President and Head of Programs at Airbus Commercial Aircraft. From 2007 to 2015, he was Head of the A350 XWB Program. Between 2002 and 2007, he acted as Program Lead at defence conglomerate MBDA.	2021	—
Gilles Labbé Québec, Canada	Executive Chairman of the Board of Héroux-Devtek. From 1989 to 2019, President and Chief Executive Officer of the Corporation. Since 2010, member of the board of directors and chair of the audit and risk management committee of CGI Inc.	1985	2,945,040 <sup>(3)</sup>
Louis Morin <sup>(1)</sup> Québec, Canada	Since June 2010, President of Busrel Inc., North-American supplier of promotional items. Up to March 31, 2009, Vice President and Chief Financial Officer of Quebecor Inc. From December 2003 until January 2006, he was the Chief Financial Officer of Bombardier Recreational Products Inc. From April 1999 until February 2003, Mr. Morin was the Senior Vice President and Chief Financial Officer of Bombardier Inc. where he was working since 1982.	2008	20,000
James J. Morris <sup>(2)</sup> California, U.S.	Corporate Director and consultant. Up to December 31, 2006, Vice President Engineering and Manufacturing for Boeing Commercial Airplanes.	2013	45,000
Brian A. Robbins <sup>(2)</sup> Ontario, Canada	Executive Chairman, Exco Technologies Limited.	2000	50,000 <sup>(4)</sup>
Annie Thabet <sup>(2)</sup> Québec, Canada	Corporate Director and partner at Celtis Capital Inc. since 2003. More than 35 years namely in asset management, private equity and venture capital, mergers, acquisitions, and financing transactions. Her past experiences include AT Capital, an investment management company she founded in 1998, Société générale de financement du Québec and PricewaterhouseCoopers. Ms Thabet is also currently a director of Transcontinental Inc., Russel Metals Inc. and Manac Inc. She previously served on the board of directors of The Jean Coutu Group and is a former Chair of the board of the Institute of Corporate Directors – Québec.	2021	—
Beverly Wyse <sup>(1)</sup> Washington, U.S.	Corporate Director and consultant. Over 30 years of experience at The Boeing Company, including as President of Shared Services, Vice President and General Manager of Boeing South Carolina and Vice President and General Manager of the 737 and 767 programs. Chair of the board of trustees of Olin College of Engineering, and also a director and member of the audit, ESG and remuneration committees of IperionX Limited.	2019	13,800

(1) Member of the Audit Committee.

(2) Member of the Human Resources and Corporate Governance Committee.

(3) 2,847,538 common shares included in this number are held by 2945-0228 Québec Inc. This company is controlled by Mr. Gilles Labbé.

(4) 40,000 common shares included in this number are held by 1155924 Ontario Limited, a company wholly-owned by Mr. Brian A. Robbins and family.

## Executive Officers

Executive Officer's Name	Position in the Corporation	Number of Common Shares held as at March 31, 2022
Gilles Labbé Québec, Canada	Executive Chairman of the Board	2,945,040 <sup>(1)</sup>
Martin Brassard Québec, Canada	President and Chief Executive Officer	224,554
Stéphane Arseneault Québec, Canada	Vice-President and Chief Financial Officer	63,207 <sup>(2)</sup>

(1) 2,847,538 common shares included in this number are held by 2945-0228 Québec Inc. This company is controlled by Mr. Gilles Labbé.

(2) 1,100 common shares included in this number are held by Marisa Alfieri, the spouse of Mr. Stéphane Arseneault.

As at March 31, 2022, the directors and executive officers of the Corporation, as a group, beneficially own, directly or indirectly, or exercise control or direction over 3,378,601 common shares representing approximately 9.8% of the outstanding common shares of the Corporation.

### Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the Corporation's knowledge, no director or executive officer of the Corporation is, at the date of this annual information form, or has been, within 10 years before the date of the annual information form, a director, chief executive officer or chief financial officer of any company that, while that person was acting in that capacity, (i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days, or (ii) was subject to an event that resulted, after the director, chief executive officer or chief financial officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days.

To the Corporation's knowledge, no director or executive officer of the Corporation or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation is, at the date of this annual information form, or has been, within 10 years before the date of the annual information form, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

In addition, to the knowledge of the Corporation, no director or executive officer of the Corporation or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation has, within 10 years before the date of this annual information form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the directors, executive officers or shareholders.

Furthermore, to the knowledge of the Corporation, no director or executive officer of the Corporation or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation 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 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.

## 9. INTEREST OF EXPERTS

Ernst & Young LLP is the independent auditor who prepared the Auditors' Report to the shareholders of the Corporation under Canadian generally accepted auditing standards. Ernst & Young LLP has confirmed to the Corporation that it is independent within the meaning of the Code of Ethics of the *Ordre des comptables professionnels agréés du Québec*. These rules are equivalent or similar to Rules of Professional Conduct applicable to chartered professional accountants in the other provinces of Canada.

## 10. THE AUDIT COMMITTEE

The Board of Directors has reviewed this section and is of the view that the Corporation complies with the requirements prescribed in *National Instrument 52-110 - Audit Committees* (or in Québec, Regulation 52-110) ("**52-110**").

### The Audit Committee's Charter

The Board of Directors of the Corporation has established an audit committee (the "**Audit Committee**"). The mandate of the Audit Committee adopted by the Board of Directors of the Corporation in 1996 and revised yearly is attached as Schedule A to this annual information form.



## **Composition of the Audit Committee**

The Audit Committee is composed of four members being, at the end of the fiscal year ended March 31, 2022, Ms. Nathalie Bourque, Mr. Louis Morin, Mr. Didier Evrard and Ms. Beverly Wyse. Each of the Audit Committee members is independent and financially literate within the meaning of 52-110, which means that each of them (i) has no direct or indirect material relationship with the Corporation, other than being one of its directors and (ii) has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

## **Relevant Education and Experience**

Each member of the Audit Committee has developed considerable experience and expertise related to financial and accounting matters which are relevant to the performance of their respective responsibilities as an Audit Committee member. More particularly, each of them has developed and acquired (i) an understanding of the accounting principles used by the Corporation to prepare its financial statements; (ii) the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves; (iii) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation's financial statements, or experience actively supervising one or more persons engaged in such activities; and (iv) an understanding of internal controls and procedures for financial reporting.

The following is a description of the education and experience of each Audit Committee member that is relevant to the performance of their responsibilities as Audit Committee members:

### ***Nathalie Bourque***

Ms. Bourque is a director of the Corporation and a member of the Audit Committee since 2015. From 2012 to 2020, she was a member of the Board and of the Human Resources and Corporate Governance committee of Alimentation Couche-Tard Inc. From 2017 to February 2020, she was a member of the Board, of the Audit committee and Chair of the Human Resources and Corporate Governance committee of Hexo Corporation. From 2005 to 2015, she was Vice-President, Public Affairs and Global Communications at CAE Inc. Prior to 2005; she was a partner at NATIONAL Public Relations.

### ***Louis Morin***

Mr. Morin is a director of the Corporation and was appointed as a member of the Audit Committee in March 2008. He is the Chair of the Audit Committee. His principal occupation is President of Busrel Inc., a North-American supplier of promotional items, since June 2010. Up to March 31, 2009, he was Vice-President and Chief Financial Officer of Québecor Inc. since January 15, 2007. From December 2003 until January 2006, he was the Chief Financial Officer of Bombardier Recreational Products Inc. From April 1999 until February 2003, Mr. Morin was the Senior Vice-President and Chief Financial Officer of Bombardier Inc. where he was working since 1982.

Mr. Morin holds a Bachelor's and a Master's degree in business administration from l'École des Hautes Études Commerciales (HEC) and is a Chartered Professional Accountant (CPA).

### ***Didier Evrard***

Mr. Evrard was appointed as a member of the Audit Committee in May 2021. He is a 40-year European aerospace veteran who served as Executive Vice President and Head of Programs at Airbus Commercial Aircraft from 2015 to 2018. From 2007 to 2015, he was Head of the A350 XWB Program. Between 2002 and 2007, he acted as Program Lead at defence conglomerate MBDA. Since April 2022, member of the Monitoring Committee of MECA DEV SAS (Mecachrome).

### ***Beverly Wyse***

Ms. Wyse is lead director of the Corporation and a member of the Audit Committee since February 2019. From 1985 to 2018, she worked for The Boeing Company and held several managing positions including President of Shared Services, Vice President and General Manager of Boeing South Carolina and Vice President and General Manager of the 737 and 767 programs. Ms. Wyse is currently Chair of the board of trustees of Olin College of Engineering and is also a director and member of the audit, ESG and remuneration committees of IperionX limited.

Ms. Wyse holds an MBA and a B.Sc. in Mechanical Engineering from the University of Washington.

## **Pre-Approved Policies**

The Board of Directors of the Corporation and the Audit Committee have adopted certain policies with respect to services rendered by external auditors.

Specific services may be rendered by the external auditors of the Corporation which are not incompatible, as to their nature, with the maintenance of their professional independence. Certain of these services reflect the statutory role of the external auditors and are grouped under "Audit Services" below. Other services under "Audit Related" and "Taxation Services" below can be rendered by the external auditors

as well as other service providers, at Corporation management's discretion. Certain types of services listed under "Prohibited Services" below generally cannot, except in limited cases, be provided by external auditors without impairing their professional independence.

#### **Audit Services**

- Audit of the Corporation's annual consolidated financial statements.
- Audit of the annual financial statements of certain related entities or groups.
- Review of the Corporation's annual information form, management's discussion and analysis, management proxy circular and other annual filing documents.
- Read of quarterly consolidated financial statements of the Corporation.
- Review of the Corporation's prospectuses or other financing documents and issuance of appropriate consent, comfort or other required letters to interested parties.
- Accounting research and consultations on the application of International Financial Reporting Standards (IFRS).

#### **Audit Related Services**

- Audit of the annual financial statements of the employee benefit plans.
- Special reports to third parties required to comply with various contractual or other obligations of the Corporation or any of its subsidiaries or affiliates.
- Special audits on control procedures.
- Information systems reviews not performed in conjunction with the Audit.
- Due diligence services to assist management in the context of business investment or divestiture decisions.
- Advisory services in preparation for compliance under National Instrument 52-109 - *Certification of Disclosure in Issuers' Annual and Interim Filings* (or in Québec, Regulation 52-109).

#### **Taxation Services**

- Preparation and/or review of income or other tax returns of the Corporation's domestic or foreign business units.
- Consultations with respect to income tax compliance or planning with domestic or foreign jurisdictions, including federal, provincial, state and capital taxes; international tax financing, structuring and repatriation strategies; loss utilization strategies; advice with respect to research and development expenditures.
- Consultations with respect to transfer pricing risk and assessment.
- Executive compensation plans including pensions, stock options, and deferred compensation plans.
- Expatriate tax compliance and planning, including tax return preparation services with respect thereto.
- Foreign office tax advice regarding international tax projects and co-ordination thereof.
- Discussions regarding new tax developments and responses to tax queries as they arise.
- Support regarding tax authority audits.
- Commodity tax advice.

#### **Other Services**

- All other services.

#### **Other Services not Specifically Prohibited**

While the possibility of other services being rendered by the Corporation's external auditors is not in and of itself excluded, such services will be rendered only on the specific approval of the Audit Committee or one of its designated members.

#### **Prohibited Services**

Certain services are considered to be incompatible with the objective of preserving the independence of external auditors and therefore are prohibited. Such services, with some exceptions, include the following:

- Bookkeeping or other services related to the accounting records or financial statements of the Corporation.
- Expert services, litigation support unrelated to the audit.
- Financial information systems design and implementation.
- Appraisal or valuation services, fairness opinions or contribution-in-kind reports.
- Actuarial services.
- Internal audit outsourcing services.
- Management functions.
- Human resources services.
- Broker-dealer, investment adviser or investment banking services.
- Legal Services and any other advocacy services.
- Preparation of journal entries and source documents.
- IT Services.

- Corporate finance and similar activities.

### External Auditors' Service Fees

The following are the aggregate fees billed by the Corporation's external auditors in each of the last two fiscal years by category of services provided to the Corporation by said auditors.

	Fiscal Year ended March 31	
	2022	2021
Audit Fees <sup>(1)</sup>	\$548,249	\$534,788
Audit-Related Fees <sup>(2)</sup>	\$102,425	\$85,950
Income Tax Fees <sup>(3)</sup>	\$486,352	\$168,796
<b>Total</b>	<b>\$1,137,026</b>	<b>\$789,534</b>

- (1) Audit fees were billed for professional services rendered for the audit of the Corporation's consolidated financial statements and quarterly reviews or reads of the Corporation's quarterly consolidated financial statements. Fees charged by the principal auditor.
- (2) Audit-related fees that are not reported under the audit line above which were billed for assurance and related services that are reasonably related to the audit or review of the annual and interim consolidated financial statements, but not reported as audit fees, including translation services.
- (3) Income tax fees were billed for tax consulting and compliance services, the review of income tax returns and the review of executive compensation and expatriate tax returns.

## 11. LEGAL PROCEEDINGS

Management of the Corporation is not aware of any legal proceeding or litigation outstanding, threatened or pending as of the date hereof by or against the Corporation or relating to its business which would be material to an existing or potential holder of common shares.

## 12. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the knowledge of the Corporation, there has not been any material interest, direct or indirect, of any director or executive officer of the Corporation, or a person or company that is the direct or indirect beneficial owner of, or who exercises control or direction over, more than 10 percent of any class or series of the outstanding voting securities of the Corporation, or any associate or affiliate thereof, within the three most recently completed financial years, that has materially affected the Corporation or is reasonably expected to materially affect the Corporation.

## 13. TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the common shares of the Corporation is Computershare Trust Company of Canada at its place of business in the city of Montréal, Québec.

## 14. MATERIAL CONTRACTS

The Corporation has no material contracts other than the Amended and Restated Credit Agreement described in Section 3 above under the heading "Fiscal Year ended March 31, 2022 (Fiscal Year 2022)" and may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

## 15. ADDITIONAL INFORMATION

Additional information including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and, options to purchase securities where applicable, is contained in the Corporation's most recent Information Circular prepared in connection with the Annual Meeting of Shareholders of the Corporation. Additional information is provided in the Corporation's comparative consolidated financial statements and management, discussion and analysis for its most recently completed fiscal year.

The Corporation shall provide to any person or company, upon request to the Corporation's Corporate Secretary, at Héroux-Devtek Inc., Suite 600, West Tower, 1111 Saint-Charles Street West, Longueuil, Québec, J4K 5G4, a copy of:

- i. this annual information form together with any document incorporated by reference therein;
- ii. the comparative consolidated financial statements of the Corporation for its most recently completed fiscal year, together with the accompanying report of the auditors thereon, and any interim condensed consolidated financial statements of the Corporation that has been filed subsequent to the consolidated financial statements for its most recently completed fiscal year; and
- iii. the Corporation's Management Proxy Circular with respect to the Corporation's most recent shareholders' meeting that involved the election of directors;

provided that the Corporation may require the payment of a reasonable charge if the request is made by a person or a company who or which is not a security holder of the Corporation.

Additional information relating to the Corporation may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

## SCHEDULE A - MANDATE OF THE AUDIT COMMITTEE

### 1. Mission

- 1.1 The Audit Committee assists the Board of Directors in its general management responsibilities of the Corporation by:
- a) selecting and recommending the external auditors and reviewing their independence and effectiveness;
  - b) reviewing:
    - (i) the financial statements;
    - (ii) the processes for presenting financial information;
    - (iii) the internal controls;
    - (iv) the audit processes;
    - (v) the management information systems; and
    - (vi) the financial risk management processes and control methods for managing such risks;for the purpose of determining the integrity and effectiveness thereof; and
  - c) serving as intermediary between the Board of Directors and the independent oversight functions (internal and external auditing).
- 1.2 The Corporation's external auditors are responsible for reporting to the Board of Directors and to the Audit Committee acting as the shareholders' representatives, and these shareholders' representatives have the ultimate power and responsibility of choosing, evaluating and, where necessary, recommending the replacement of the external auditors.
- 1.3 The Committee fulfills its responsibilities to the Board by carrying out the duties set forth in section 10 of this Mandate.
- 1.4 Although the Audit Committee has the powers and responsibilities set forth in this Mandate, the role of the Audit Committee is oversight. The members of the Audit Committee are not full-time employees of the Corporation and may or may not be accountants or auditors by profession and, in any event, do not serve in such capacity on the Audit Committee. Consequently, it is not the duty of the Audit Committee to conduct audits or to determine that the Corporation's financial statements and disclosures are complete and accurate and are in accordance with the International Financial Reporting Standards ("IFRS") and applicable rules and regulations. These are the responsibilities of management and the external auditors.

### 2. Composition

- 2.1 The Committee is comprised of at least three (3) members appointed annually by the Board of Directors from among the Corporation's Directors.
- 2.2 Every Committee member shall be independent within the meaning of *Regulation 52-110 respecting Audit Committees* ("Regulation 52-110").
- 2.3 No officer or employee of the Corporation or of a subsidiary of the Corporation shall be a member of the Committee.
- 2.4 Every Committee member shall be financially literate within the meaning of Regulation 52-110, i.e. shall have the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.
- At least one Committee member shall have "related accounting or financial expertise" acquired either through previous work experience in finance or accounting, through the required professional certification in accounting, or through any other comparable experience or training giving him financial sophistication, such as being or having been a chief executive officer or chief financial officer of a company, or having held another position with a company as a senior executive with financial oversight responsibilities. This member shall have the ability to analyze and interpret a complete set of financial statements, including the accompanying notes, in accordance with IFRS.

### 3. Chairperson

- 3.1 The chair of the Committee is appointed by the Board of Directors. Where the chair is absent or unable to attend a meeting, the meeting shall be chaired by a member chosen by the Committee.
- 3.2 Subject to a contrary decision by the Board of Directors, members who have sat on the Committee for two years are eligible for appointment as Committee chairperson.
- 3.3 The Committee chairperson may make suggestions to the Chairman of the Board concerning the content of the agendas of certain meetings of the Board of Directors, where he considers it appropriate or necessary to do so.

#### **4. Secretary**

The Committee chairperson appoints a person who does not need to be a member of the Committee, to act as Committee secretary.

#### **5. Holding and calling of meetings**

5.1 The Audit Committee meets at least once per quarter and the Committee's meetings are held on the dates and at the time and place fixed by the Board of Directors. The Committee members shall be notified annually in writing of the dates, times and places of the Committee meetings, without any other notice being required.

5.2 An off-schedule meeting may be called at any time by the Committee chairperson, the Chairman of the Board, the President and Chief Executive Officer, one of the members of the Committee, the Chief Financial Officer, the Secretary or an assistant secretary of the Corporation, and by the external auditors and auditors in charge of the internal audit function.

A notice stipulating the purpose, place, date and time of every off-schedule meeting shall be sent to each of the Committee members by mail or by any other means of telephone or electronic communication at least twenty-four (24) hours before the scheduled time and date of the meeting.

Off-schedule meetings of the Committee may be held without notice when all Committee members are present or when absent members give written waiver of notice of such meeting.

5.3 The Committee meetings may be held by telephone or by any other means enabling all members to communicate adequately and simultaneously with each other. In such case, the persons participating in a meeting by telephone or by any other means of communication are deemed to be present at the meeting.

5.4 The external auditors are entitled to receive the notices of the Committee's meetings and to be heard at such meetings.

5.5 The Committee may call a meeting of the Board of Directors to study issues of interest to the Committee.

5.6 The Committee members shall meet in closed sessions, at least once a year, under the direction of the Committee chairperson.

#### **6. Quorum**

6.1 Quorum for the Committee shall be a majority of the Committee members.

6.2 There shall be a quorum at every meeting in order for the Committee members to validly conduct proceedings and make decisions.

6.3 Subject to sections 6.1 and 6.2 above, the subjects submitted for consideration to every Committee meeting requiring a decision shall be approved by a majority of votes of the members present.

#### **7. Minutes**

7.1 The secretary shall keep the minutes of every Committee meeting, duly approved by it, in a register especially for this purpose.

7.2 The minutes of every Committee meeting, duly approved by it, shall be attached to the agenda of a subsequent meeting of the Board of Directors for its information. The Committee chairperson shall make a verbal report of the proceedings of every Committee meeting at a subsequent meeting of the Board of Directors.

#### **8. Vacancy**

Vacancies on the Committee shall be filled by the Board of Directors, where it considers appropriate. A failure to fill a vacancy shall not invalidate the Committee's decisions provided that there is a quorum.

#### **9. Hiring of external advisors**

The Audit Committee has the authority to retain the services of expert advisors at the Corporation's expense. In case of an emergency, this responsibility is vested in the Committee chairperson. The Committee may request any officer or employee of the Corporation, its outside legal counsel or its internal or external auditors to attend an Audit Committee meeting or meet any of its members or advisors.

The Audit Committee shall notify the Board of Directors on the extent of the financing required to pay for the compensation of the independent expert advisors retained to advise the Committee.

#### **10. Duties and responsibilities**

The Committee's duties are as follows:

10.1 Internal control

10.1.1 review the mandate of the internal audit function on an annual basis and ensure that it has the resources necessary to fulfill its mandate and the responsibilities set for it;

- 10.1.2 if the internal audit function has been outsourced in whole to an external consulting firm, make recommendations to the Corporation's Board of Directors on the appointment of such consultants and their compensation;
  - 10.1.3 require management to set up and maintain appropriate internal control policies and mechanisms, and review, evaluate and approve such policies and mechanisms;
  - 10.1.4 evaluate the effectiveness of the Corporation's internal control policies and mechanisms with the Chief Financial Officer, or any other officer or employee of the Corporation exercising responsibility for the internal audit function;
  - 10.1.5 review the report(s) of the internal audit group on a quarterly or annual basis and ensure that the necessary measures are taken to follow up on the suggestions arising from such report(s);
  - 10.1.6 recommend to the Board of Directors the appointment or removal of an officer responsible for the internal audit function of the Corporation;
  - 10.1.7 review and approve the annual internal audit plan and ensure the independence and effectiveness of this function;
  - 10.1.8 require that the internal audit function be free of any influence which could interfere with its ability to carry out its responsibilities in an objective manner and, to this end, obtain disclosure from management of the services other than internal auditing provided to the Corporation by the consultants to whom this function has been outsourced;
  - 10.1.9 evaluate the overall performance of the external consultants to whom the internal audit function has been outsourced, whether in whole or in part, including the other services rendered by these consultants, and analyze the effect of such services on their independence;
  - 10.1.10 ensure that there is effective cooperation between internal auditing and the external auditors of the Corporation;
  - 10.1.11 meet, in the absence of management, with the Corporation's officer in charge of the internal audit function, or the external consultant to whom this function has been outsourced;
  - 10.1.12 review any management representation letters on the internal financial systems and controls addressed to the external auditors;
  - 10.1.13 review and comment to the Board of Directors on all related-party transactions;
  - 10.1.14 review any change in the Corporation's code of ethics;
  - 10.1.15 review the recommendations made by the regulatory bodies or external or internal auditors and report to the Board of Directors;
  - 10.1.16 establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters and for the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters; and
  - 10.1.17 review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the Corporation's, current or former, external auditors that meet the CICA Rules of Professional Conduct.
- 10.2 External auditors
- 10.2.1 submit recommendations to the Corporation's Board of Directors for the appointment and compensation of the external auditors;
  - 10.2.2 review and discuss the external auditors' detailed report on all the factors influencing their independence and objectivity; make recommendations for measures to be taken by the Board of Directors to ensure the independence of the external auditors;
  - 10.2.3 pre-approve all non-audit services to be provided to the Corporation or its subsidiaries by the auditors and, ensure that the external auditors shall not provide the following services to the Corporation:

## Prohibited Non-Audit Services

- Bookkeeping or other services related to the accounting records or financial statements of the Corporation.
- Expert services, litigation support unrelated to the audit.
- Financial information systems design and implementation.
- Appraisal or valuation services, fairness opinions or contribution-in-kind reports.
- Actuarial services.
- Internal audit outsourcing services.
- Management functions.
- Human resources services.
- Broker-dealer, investment adviser or investment banking services.
- Legal Services and any other advocacy services.
- Preparation of journal entries and source documents.
- IT Services.
- Corporate finance and similar activities.

- 10.2.4 review the nature and scope of the work of the Corporation's external auditors;
- 10.2.5 meet with the external auditors and management to discuss the annual financial statements or transactions which may be detrimental to the sound financial situation of the Corporation;
- 10.2.6 discuss with the external auditors not only the acceptability but also the quality of the accounting principles followed by the Corporation in its financial reports;
- 10.2.7 review the Corporation's guidelines for awarding professional services contracts to the external auditors outlining the criteria and levels of authorization required for types of services other than auditing which the external auditors are authorized to offer the Corporation;
- 10.2.8 meet the Corporation's external auditors on a regular basis, in the absence of the management;
- 10.2.9 oversee the work of the external auditors, including the auditing services and non-auditing services, and analyze the effect of these services on the auditors' independence and including the resolution of disagreements between management and the external auditors regarding financial reporting;
- 10.2.10 Carry out an annual assessment and a complete and thorough assessment of the external auditors at least every five years;
- 10.2.11 determine that the external auditors audit firm has a process in place to address the rotation of the lead audit partner and other audit partners serving the account as required under the CICA independence rules; and
- 10.2.12 determine that the external auditors are a Public Accounting Firm that has entered into a Participation Agreement as such terms are defined in *Regulation 52-108 respecting Auditor Oversight* and that at the time of their report on the annual financial statements of the Corporation, they are in compliance with any restrictions or sanctions imposed by the Canadian Public Accountability Board.



### 10.3 Financial information

- 10.3.1 review the Corporation's quarterly and annual consolidated financial statements after the review (or read) or audit thereof by the external auditors, and recommend their approval to the Corporation's Board of Directors; review the unaudited (or internally prepared by management) financial statements of certain subsidiaries as appropriate;
- 10.3.2 obtain an annual report from management, which may be in either oral or written form, on the accounting principles used in the preparation of the Corporation's financial statements, including those policies for which management is required to exercise discretion or judgment regarding the implementation thereof;
- 10.3.3 annually review separately with each of management, the external auditors and the internal audit group (a) any significant disagreement between management and the external auditors or the internal audit group in connection with the preparation of the financial statements, (b) any difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information and (c) management's response to each;
- 10.3.4 annually or periodically, as appropriate, review any significant changes to the Corporation's accounting principles and financial disclosure practices as suggested by the external auditors, management or the internal audit group; review with the external auditors, management and the internal audit group, at appropriate intervals, the extent to which any changes or improvements in accounting or financial practices, as approved by the Audit Committee, have been implemented;
- 10.3.5 review all the investments and transactions which may be detrimental to the Corporation's sound financial situation, when they are brought to its attention by the external auditors or an officer;
- 10.3.6 review and recommend the approval to the Board of Directors of the informational documents containing financial information, whether audited or unaudited, in particular, management's analysis of the financial situation and operating results, the annual information form and the press releases concerning the publication of the Corporation's quarterly and annual consolidated financial statements;
- 10.3.7 ensure that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements and periodically assess the adequacy of those procedures;
- 10.3.8 review and discuss with management all material off-balance sheet transactions, arrangements, obligations (including contingent obligations), commitments and other relationships of the Corporation or any of its subsidiaries with unconsolidated entities or other persons, that may have a material current or future effect on the financial condition, changes in the financial condition, results of operations, liquidity, capital resources or significant components of revenues or expenses;
- 10.3.9 enquire with management concerning any significant changes adopted by bodies such as the stock exchanges or securities commissions, as well as changes to accounting standards that may have an effect on the preparation or disclosure of the financial statements of the Corporation or its subsidiaries, and inform the Board of Directors thereof where appropriate; and
- 10.3.10 review the report of management on any dispute, notice of assessment or any other claim of a similar nature which may have a material effect on the Corporation's financial situation, and ensure that these material claims are correctly disclosed in the financial statements.

### 10.4 Miscellaneous

Exercise any other functions entrusted to it by the Board of Directors and make such recommendations to it as it considers appropriate on the subjects within its competence.