

HAMMOND MANUFACTURING COMPANY LIMITED**ANNUAL INFORMATION FORM****For the year ended December 31, 2020****Prepared as of March 8, 2021**

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CORPORATE STRUCTURE

The Company was founded in 1917 under the name of O.S. Hammond and Son and was incorporated as Hammond Manufacturing Company Limited ("Hammond" or the "Company") in 1944 by letters patent under the laws of Ontario, Canada, incorporated under the *Business Corporations Act (Ontario)*, and continued through amalgamations, the last of which occurred on January 1, 1999, and a re-organization on January 1, 2001.

The 2001 re-organization was implemented through a Plan of Arrangement, which was approved by the shareholders of Hammond at a Special Meeting on December 8, 2000. Under the Plan of Arrangement, the dry-type transformer business has been spun-off into Hammond Power Solutions Inc. (HPSI), a new public company. The business of Moloney was also spun-off into a separate company, Moloney Electric Inc. ("MEI"), which was owned by HPSI and Hammond (45% each) with the pre-spin-off Moloney senior management owning the remaining 10% of the shares. Effective January 9, 2008 HPSI & Hammond sold their interest in MEI to Universal Power Transformer Private Limited.

Hammond continues its operations related to the enclosure, rack, small case, electronic transformer, and surge suppressors businesses.

Hammond's principal and registered office is located at:

394 Edinburgh Road North, Guelph, Ontario, N1H 1E5

Phone: # (519) 822-2960

fax: # (519) 822-7289

email: ir@hammfg.com

Websites:

www.hammfg.com

www.hammondmfg.com

FORWARD LOOKING STATEMENTS

Advisory –Certain information in this Annual Information Form are forward-looking and are subject to important risks and uncertainties. The results or events predicted in this information may differ from actual results or events. Forward-looking statements are often, but not always, identified by the use of words such as “anticipate”, “plan”, “estimate”, “expect”, “may”, “project”, “predict”, “potential”, “could”, “might”, “should” and other similar expressions. The Company believes the expectations reflected in forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct. These forward-looking statements speak only to the date of this AIF. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as required pursuant to applicable securities laws.

INTERCORPORATE RELATIONSHIPS**Wholly owned subsidiaries of Hammond****Canada**

- Hammond Manufacturing (Quebec) Inc.
Incorporated in Quebec

USA

- Hammond Manufacturing Company Inc.
Incorporated in New York

UK

- Hammond Electronics Limited
Registered in England

Europe

- Hammond Electronics B.V.
Registered in the Netherlands

ASIA

- Hammond Electronics Asia Limited
Registered in Republic of China

Australia

- Hammond Electronics Pty. Ltd.
Registered in Australia

Other investments of Hammond

- RITEC Enclosures Inc. (“RITEC”), Taipei, Taiwan
40% equity investment
- Glen Ewing, Georgetown property, Ontario, Canada
50% co-tenancy with Hammond Power Solutions Inc. (HPSI)

GENERAL BUSINESS DESCRIPTION

Hammond manufactures a broad range of products for the electronic and electrical products industry, consisting of metallic and non-metallic enclosures, racks, plastic and die-cast small cases, surge suppressors and transformers. The Company is also a reseller of auxiliary and complimentary purchased products.

Electrical enclosures and racks are designed and manufactured at our facilities in Guelph, Ontario. These plants also offers full design and modification manufacturing capabilities for customer applications.

Racks, rack cabinets, and accessories have been designed for such markets as Voice/Data, Security, Audio/Visual, Data Center and Test/Measurement. We have over 3,000 unique rack mounting solutions available.

The electrical enclosure industry is comprised of manufacturers and suppliers of enclosures to equipment manufacturers and contractors. Cabinetry is typically designed to perform a number of functions including physical protection, provision for air movement, appearance and shielding from electrical interference, dust, oil, water and heat. Examples in the electrical industry include control panels and consoles for industrial equipment.

The majority of enclosures are constructed from steel, stainless steel and aluminum which have been fabricated through laser cutting, punching, folding, welding and painting operations. Participants in the industry are diverse and include small, owner-operated businesses, divisions of large integrated companies and electrical OEMs who supply their own needs.

Electronic products (plastic and metal small cases, racks, surge suppressors and transformers) are manufactured at facilities based in Waterloo and Guelph, Ontario, a facility located in Cheektowaga, New York (plastic small cases), at our U.K facility and at RITEC. These products share common distributor channels and customer bases within the electronic and electro-mechanical market place. The products are sold worldwide through a network of agents and distributors and are featured in the leading electronic global catalogues. The Company is also a reseller of products, supplied by companies from Canada, the US, the UK, China, Germany, Taiwan, Portugal and other global sources.

GENERAL DEVELOPMENT OF THE BUSINESS

The following describes the general development of the business over the last five years.

In December of 2014 the Company announced its capital investment plans to support future business growth. The project plan covered 2015 to 2018. The planned expenditures for this project were in excess of \$20.0 million over normal capital spend levels of approximately \$2.0 million a year. In 2015 construction began on a new 119,000 square foot building in Guelph, Ontario that now houses a new paint line and production facility. This facility came on line in the second half of 2016. Throughout the second half of 2016 we continued to streamline the new facility and began planning the reconfiguration of our existing Edinburgh Rd. facility. In 2017, the reconfiguration of the Edinburgh Rd facility began. The first move increased the capacity of our stainless steel by almost double. The Company also purchased and installed a fiber laser in 2017 significantly increasing our cutting capacity. Guelph fabrication capacity was further expanded with the addition of two new punches in 2017 and 2018. In 2018 we continued to reconfigure our Edinburgh Rd. facility and add new equipment such as our new Schroeder up down bender. In 2019 and 2020 our focus has been on improving efficiencies.

Financing for the project was primarily through the Companies banking facilities.

The 2014 expansion project was well timed as the financials reflect growth of net product sales of 41.1% since 2014 (2014 - Net Product Sales \$105.3 million vs 2020 - Net Product Sales of \$148.2 million).

There have been no other significant acquisitions, dispositions, or changes in trends over this period.

Coronavirus (COVID-19) has taken the headlines for 2020. Operations at all our facilities had to react quickly at the onset of the Pandemic. Procedures, guidelines and physical changes all needed to be implemented timely to ensure our work places remained safe for our employees. It remains an ongoing process of review and adjustment as the situation continues to unfold. Our products are deemed essential so we were able to keep our doors open and production going. At the onset of the crisis we had a number of employees who had taken leave of absences in order to care for children or parents, out of precaution due to exposure to family members or in some cases just fear of the situation. In our main production facilities in Guelph we had experienced as high as a 20% reduction in work force due to COVID-19 related absences. For the most part most employees are all back at work at this time.

The Company applied for the Canadian Emergency Wage Subsidy (CEWS) to assist with the situation. At the time of this report the Company had received \$2,308,000 in federal assistance for the 2020 year. The Company intends to invest these funds in capital equipment to help us grow the business and associated employee base.

This year the Company has successfully renewed the employee association agreement until November 27, 2023 for our Guelph area work force.

Our facilities are all fully utilized and we continue with projects to stream line activities and improve efficiencies.

In October of 2019 our insurer of our Guelph area warehouse advised they would no longer cover this facility as it does not have a sprinkler system. The building is in an area without a municipal water supply and only has well water available which cannot be utilized for a sprinkler system. The insurance market for property coverage has become very tight and we were forced to go into special markets overseas to get coverage. The new coverage has added \$456,000 in additional annual insurance coverage. We have begun construction of a water tank system that would allow us to properly sprinkler the facility. The expected cost for this system for the facility is approximately \$1,100,000.

SALES AND MARKETING

Hammond employs a direct sales force and also uses independent sales agencies. Sales are made to wholesale distributors, and OEMs (original equipment manufacturers).

Hammond's sales are spread broadly among many markets and industries. In 2020 approximately 55% (2019 - 52%) of sales were in the United States, 37% (2019 - 39%) in Canada, and 8% (2019 - 9%) in international markets.

MANUFACTURING METHODS

Manufacturing of metal enclosure products primarily involves shearing, laser cutting, punching, folding, welding, painting and gasketing processes. Hammond employs a number of advanced processes in order to maintain its production efficiency including state-of-the-art laser cutting technology, computer numerically controlled ("CNC") presses, programmable gauging for shears and press brakes, automated welding and grinding, pour in place gasketing and paint lines. Non-metallic enclosure products are manufactured using injection-molding machines, with

additional equipment to enable product modifications.

Hammond employs engineers and technicians to ensure that its products are technologically current and to engineer modified and customized products. To differentiate itself in the marketplace and to improve manufacturing efficiencies, Hammond has invested in staff development and equipment employing the latest technologies. These investments allow the Company to compete for contracts which other industry participants may not be able to perform.

RAW MATERIALS

Raw materials for the Company's products consist primarily of metal products (aluminum and steel) of various types, shapes and sizes, plastics for molded products, copper wire for transformers, and other manufactured components. The Company purchases its raw materials from many suppliers and is not dependent on any single supplier for any of its raw materials.

Some of the raw materials used by the Company such as, steel, copper and aluminum, are subject to market price fluctuations. The Company is not committed to, nor does it have rights under, any long-term supply contracts for these materials.

FACILITIES

Hammond operates thirteen manufacturing and/or sales and distribution facilities of which ten are located in Canada, one in the US, one in the UK, and one in Australia. The Company's manufacturing and corporate services facilities contain a total of approximately 708,000 square feet of space of which approximately 294,000 square feet are leased.

The Company owns four of the facilities occupied by the Company for use in its operations; the remaining facilities are leased.

COMPETITIVE CONDITIONS

Competitors of Hammond include large companies, such as, nVent / Hoffman, Rittal and others, some of who have substantially greater resources than the Company. In addition, the Company believes that there are many companies in North America competing in some segment of Hammond's business.

The Company competes primarily on the basis of price, quality, service, availability, reliability and engineering expertise.

TRADEMARKS AND LICENSES

The Company markets substantially all its products under the registered trade name "Hammond Manufacturing" and "Hammond Electronics" which the Company believes is significant in the marketing of its products.

EMPLOYEES

At the end of the year the Company had approximately 736 employees (727 - 2019) consisting of approximately 24% salaried staff (26% - 2019) and 76% hourly workers (74% - 2019). The majority of the Corporation's employees are in Canada with the remainder in other facilities in the United States and the UK.

The majority of the Company's Guelph plant hourly workers are members of a certified employee association.

Management characterizes the Company's labour relations as excellent and there has not been a work stoppage at any of Hammond's continuing operations.

SELECTED CONSOLIDATED FINANCIAL DATA (see Appendix A)**MANAGEMENT DISCUSSION AND ANALYSIS**

The Management Discussion and Analysis commenting on the consolidated financial condition and results of operations of the Company is included on pages 5 to 25 of Hammond Manufacturing Company Limited's 2020 Annual Report to Shareholders. The 2020 Annual Report and the Management Discussion and Analysis, which includes comments on the outlook and risks of the Company, can be found under the Company's SEDAR profile at www.sedar.com.

RISK FACTORS

For information regarding risk factors relating to the Company and its business, see the discussion under the "RISKS AND UNCERTAINTIES" in the Management Discussion and Analysis starting on page 19 of the Company's 2020 Annual report, which is available on SEDAR at www.sedar.com.

DIVIDENDS AND DISTRIBUTIONS

The Company does not currently have a dividend policy. The Company is required to have written consent of its principal banker, HSBC Bank Canada, prior to issuing a dividend if the dividend is in excess of net profit after tax. The Company, as a condition of the loan from the government must have written consent from the Minister responsible for Federal Economic Development Agency for Southern Ontario in order to declare an annual dividend greater than \$500,000. The following chart depicts dividend activity in the last 3 years. Dividends were all considered cash dividends and declared and paid on both Class A Subordinate Voting Shares and Class B Common shares (not listed on the TSX).

Declared	Paid	Dividend per share	Total Paid
July 28, 2020	September 2, 2020	\$ 0.02	\$ 226,000
March 3, 2020	April 2, 2020	\$ 0.02	\$ 226,000
July 29, 2019	September 6, 2019	\$ 0.02	\$ 226,000
March 4, 2019	April 2, 2019	\$ 0.02	\$ 226,000
August 15, 2018	September 7, 2018	\$ 0.02	\$ 226,000
March 6, 2018	April 3, 2018	\$ 0.02	\$ 226,000

DESCRIPTION OF CAPITAL STRUCTURE

The Corporation has an authorized capital of an unlimited number of Class A Subordinate Voting Shares and an unlimited number of Class B Common Shares, each without par value. As at the date hereof there were issued and outstanding 8,556,000 Class A Subordinate Voting Shares and 2,778,300 Class B Common Shares. The holders of the Class A Subordinate Voting Shares and the holders of the Class B Common Shares are entitled to receive notice of and to attend any meeting of the shareholders of the Corporation except for a meeting of the holders of shares of any other class, as such, or a meeting of the holders of shares of a particular series. Each Class A Subordinate Voting Share carries the right to one vote. Each Class B Common Share carries the right to four votes. All Class B Common shareholders and Class A Subordinate voting shareholders of record on the books of the Corporation at the time of holding of the Meeting will be entitled to attend and to vote the Class B Common Shares and/or the Class A Subordinate Voting Shares registered in their respective names at the Meeting if present in person or by proxy duly completed and delivered to the Corporation in accordance with the instructions of the instrument of proxy.

MARKET FOR SECURITIES

The Company's Class A Subordinate Voting Shares are listed on the Toronto Stock Exchange (the "TSX"), and traded under TSX symbol **HMM.A**. 1,342,009 (2019 – 980,757) Class A Subordinate Voting Shares were traded in 2020 for a total value of \$2,289,304 (2019 - \$1,921,330) yielding an average share price of \$1.71 per share in 2020 (2019 - \$1.96).

The monthly price ranges and volume traded in 2020 is shown in the following table:

MONTH	High	Low	Volume
Jan	\$ 1.90	\$ 1.83	97,341
Feb	\$ 1.90	\$ 1.77	58,832
Mar	\$ 1.90	\$ 1.00	713,309
Apr	\$ 1.60	\$ 1.36	62,604
May	\$ 1.60	\$ 1.48	55,167
Jun	\$ 1.80	\$ 1.57	39,168
Jul	\$ 1.73	\$ 1.60	79,021
Aug	\$ 1.95	\$ 1.75	50,394
Sep	\$ 1.94	\$ 1.72	27,470
Oct	\$ 1.89	\$ 1.80	42,400
Nov	\$ 2.07	\$ 1.80	87,256
Dec	\$ 2.14	\$ 1.96	29,047

DIRECTORS AND OFFICERS**DIRECTORS:**

Name / Residence / Principal Occupation/Employment or Business Past 5 Years	Director Since
ROBERT FREDERICK HAMMOND Guelph, Ontario, Canada Chief Executive Officer and Chairman of the Corporation since 1978 <p style="text-align: center;">Non-independent Director</p>	June 1972
EDWARD SEHL Guelph, Ontario, Canada Principal - Sehl Consulting Director - Guelph General Hospital <u>Previous positions:</u> Chairman of the Board - Guelph Municipal Holdings Director - Guelph Hydro Electric Systems Inc. <p style="text-align: center;">Independent Director</p>	May 2007
MICHAEL FRICKER East York, Ontario, Canada Chief Financial Officer at Qvella Corporation and Reunion Foods Inc. Director of Edjar International Inc. Director of the Tippet Foundation <u>Previous position:</u> Chief Financial Officer at Bento Inc. CFO of IMT Group of Companies Vice President, Investments of Whitecastle Investments Limited <p style="text-align: center;">Independent Director</p>	May 2017
SHEILA HAMMOND B.A, B.Ed, M.Sc. Guelph, Ontario, Canada Registered Individual, Couple and Family Therapist Officer and Director of Eramosa Group Ltd. <p style="text-align: center;">Non-independent Director</p>	May 2013
SARAH HANSEN Calgary, Alberta, Canada Operations Manager of Emco Corporation in Calgary Director of Eramosa Group Ltd. Director of DKH Engineering Services Inc. <u>Previous position:</u> Director of Canadian Institute of Plumbing and Heating, Calgary Chapter Western Regional Sales Manager for Pearson Education <p style="text-align: center;">Non-independent Director</p>	May 2017

Name / Residence / Principal Occupation/Employment or Business Past 5 Years	Director Since
<p>PAUL QUIGLEY Waterloo, Ontario, Canada President of Quigley Group Inc. <u>Previous positions:</u> Director / Process Architect - Just Fix It Inc. Director / Consultant - Stinson Equipment Ltd. President & General Manager - Cut Above Natural Stone Change Management Facilitator - Royal Containers Independent Director</p>	September 2010
<p>WILLIAM WIENER Toronto, Ontario, Canada Chairman of the Board of 35 Oak Holdings Ltd. <u>Previous positions:</u> Chairman of the Board of Viscor Inc. CEO of Viscor Inc. CEO of 35 Oak Holdings Ltd. Independent Director</p>	May 2017

ADDITIONAL DISCLOSURE RELATING TO DIRECTORS

All independent directors of the Company are members of the Audit Committee and Compensation Committee.

No proposed director of Hammond Manufacturing Company Limited is, or within the ten years prior to the date of this Annual Information Form has been, a director, chief executive officer or chief financial officer of any company that: (i) was subject to a cease trade order or similar order or an order that denied the company access to any exemptions under securities legislation for a period of more than 30 consecutive days that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; (ii) was subject to a cease trade order or similar order or an order that denied the company access to any exemptions under securities legislation for a period of more than 30 consecutive days that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; or (iii) 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. No proposed director has, within the ten years prior to the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

The Audit Committee currently consists of four members, Edward Sehl, Michael Fricker, Paul Quigley and William Wiener who are independent, non-management directors of the company. All four current members of the Audit Committee are financially literate. The Audit Committee's mandate and relevant experience of its members are further described in the Audit Committee Charter included as Appendix B to this Annual Information Form.

EXTERNAL AUDITOR SERVICE FEES

The following summarizes the professional services rendered by KPMG LLP to the Company for the years ended December 31, 2020 and December 31, 2019:

Professional Service	2020	2019
Audit Fees	\$ 147,500	\$ 145,000
Tax fees - Compliance services	\$ 41,550	\$ 43,800
Audit-Related fees - Pension plan audit	\$ 8,340	\$ 8,150
Audit-Related fees - Funding compliance audit	\$ NIL	\$ 4,000
Tax Related Fees – New UNICAP rules	\$ 5,350	\$ NIL
Eligibility review for Canadian Emergency Wage Subsidy	\$ 20,000	\$ NIL
Tax Related Fees – Exempt Surplus calculation	\$ 30,500	\$ NIL

OTHER OFFICERS/ SENIOR MANAGEMENT:

Name / Residence / Title	Date of Hire
Alexander Stirling Kitchener, Ontario Secretary & CFO	Sep 2007
Ray Shatzel Lancaster, New York Vice-President, Electronic Sales	Jul 1975
Ross Hammond Waterloo, Ontario Assistant Secretary & Business Development Manager	Feb 1996

The Company has employed all of the above officers for over ten years.

MANAGEMENT SHARE OPTION PLAN

In 1986 Hammond introduced a management share option plan ("MSOP") providing for the granting to directors, officers and key employees of options to purchase up to an aggregate of 10% of the Class A Subordinate Voting Shares of the Company outstanding from time to time.

The exercise price of the options may not be less than 100% of the market price of the Class A Subordinate Voting Shares at the date the option is granted. In 1996 the plan was amended to comply with the Toronto Stock Exchange regulations, defining a specific number of shares available for issuance under the terms of the plan. 540,000 Class A Subordinate Voting Shares were approved as issuable under the plan. As at the date hereof, the number of shares remaining available for issuance was 458,000 Class A Subordinate Voting Shares, 82,000 shares having been exercised since the inception of the plan. Individuals eligible to be granted options under the Plan are limited to selected officers, employees, including directors of the Corporation and its subsidiaries as approved by the Board of Directors. The size of the options granted to individual participants may vary, as determined by the Board of Directors. As of December 31, 2020, no share options were outstanding. Subsequent to year-end no options were granted or exercised.

NOTES OF SHAREHOLDINGS OF DIRECTORS AND OFFICERS (as at the date hereof)

As at the date thereof Robert Frederick Hammond owns all the shares of Eramosa Group Limited. Eramosa Group Limited beneficially owns 848,365 Class A Subordinate Voting Shares and 2,778,300 Class B Common Shares of the Corporation directly. Robert Frederick Hammond owns 560,506 Class A Subordinate Voting Shares of the Corporation directly.

The non-management directors and senior officers beneficially own 82,778 Class A subordinate Voting Shares of the Corporation, representing approximately 1.0% of the issued and outstanding Class A Subordinate Voting Shares of the Corporation.

ENVIRONMENTAL ISSUES AND LEGAL PROCEEDINGS

The Company has one site for which there are environmental issues. This site is currently being remediated to contain any contamination to surrounding properties. This site is further described in note 9 and note 15 of the financial statements in the Company's 2020 Annual report, and also described in the Management Discussion and Analysis of the Company's 2020 Annual report, which is available on SEDAR at www.sedar.com.

A statement of claim was issued on June 19, 2013, against the Company with respect to a property once held by the Company. The claim alleges that contaminants originating from the property once owned by the Company have migrated to a nearby, but not adjoining property owned by the claimants. The amount of the claim is not fully known but includes \$3,500,000 which is the estimated cost of construction of a barrier and related expenses. At this point in time, there is no certainty that the contaminants emanated from the property once owned by the Company. Furthermore, given the nature of the claim, there remains significant uncertainty as to any costs to be incurred as a result of the claim and accordingly management is unable to reasonably estimate any liability that may arise as a result of this claim. As such, no amount has been recorded in these consolidated financial statements. The trial for this claim has been set down for September of 2022. We have seen corresponding legal fees in 2019 and 2020.

A third party statement of claim was issued on March 6, 2019, against the Company with respect to an adjacent property to one of our Waterloo facilities. The claim alleges that contaminants originating from our property have migrated to the adjoining property owned by the claimants. The amount of the claim is estimated at \$160,000 to \$670,000. Our records do not show any spills of chemicals at this location and management is unable to reasonably estimate any

liability that may arise as a result of this claim. As such, no amount has been recorded in these condensed consolidated financial statements.

From time to time the Company is exposed to various legal claims in the normal course of operations. As at the time of this report there was one claim against the Company for an accident involving one of the Company vehicles. The Company insurance coverage is responding to this claim.

There are no other claims outstanding at this time.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Management is not aware of any interest of insiders in material transactions with the Company.

TRANSFER AGENT AND REGISTRAR

The Company's transfer agent and registrar is:

Computershare Investor Services Inc.

100 University Avenue, 8th Floor, North Tower

Toronto, Ontario, M5J 2Y1

Tel: 1-800-564-6253 (toll free in Canada and the United States)

Or 514-982-7555 (International direct dial)

MATERIAL CONTRACTS

The Company did not enter into any material contracts in 2020, other than contracts entered into in the ordinary course of business.

INTERESTS OF EXPERTS

The auditors of the Company are KPMG. The Company believes that KPMG does not hold any interests in the securities of Hammond Manufacturing Company Limited.

ADDITIONAL INFORMATION

Additional information, including director's and officer's remuneration and indebtedness, principal holders of the securities, options to purchase securities and interests of insiders in material transactions is contained in the Information Circular for the Annual Meeting of shareholders to be held on April 26, 2021. Additional financial information is provided in the comparative statements as well as the MD&A for the 2020 financial year and a copy of such documents may be obtained upon request from the Secretary, or may be found under the Company's SEDAR profile at www.sedar.com.

The foregoing, together with any information incorporated by reference, contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated herein in accordance with the requirements of this Annual Information Form or that is necessary to make a statement contained herein not misleading in light of the circumstances in which it was made.

Robert F. Hammond



Chairman & CEO

Alexander Stirling



Secretary & CFO

MARCH 8, 2021
AIF 2020

APPENDIX A

SELECTED CONSOLIDATED FINANCIAL DATA

The following selected financial data of the company, as it relates to each of the three years ended December 31, 2020, is derived from the audited consolidated financial statements of the Company.

Three year financial summary:

For the years ended December 31,
(In thousands except per share amounts)

Consolidated Statements of Comprehensive Income	2020	2019	2018
Net product sales	\$ 148,223	\$ 148,592	\$ 145,602
Income from operating activities	11,682	7,469	7,713
Net income for the year	7,724	4,749	3,764
Per share - basic & fully diluted net earnings for the year	\$0.68	\$0.42	\$0.33
Consolidated Statement of Financial Position	2020	2019	2018
Total assets	\$ 120,255	\$ 111,402	\$ 100,813
Total funded debt	35,715	36,565	31,210
Working capital	28,018	20,532	20,152
Net cash generated from (used in) operating activities	15,689	11,707	1,354
Dividends declared and paid	453	454	452
Shareholders' equity	\$ 61,542	\$ 54,730	\$ 51,401

MARCH 8, 2021
AIF 2020

APPENDIX B

**The Charter of the Audit Committee
of the Board of Directors
of Hammond Manufacturing Company Limited**

1. The Audit Committee (the “Committee”) shall consist of a minimum of three directors who are independent of the Corporation and of any shareholder holding a sufficient number of shares to exert influence on the Board of Directors. The Committee is currently comprised of Edward Sehl (Chairman of the Committee), Michael Fricker, Paul Quigley and William Wiener.
2. All members of the Committee are considered by the Board of Directors to be “financially literate” within the meaning ascribed from the Multilateral Instrument 52-110 (Audit Committees). The following is a table of the relevant education and experience of each member of the Committee as at December 31, 2020:

Name	Relevant Education and Experience
Edward Sehl	A graduate of the Chartered Director's program at McMaster's DeGroot School of Business, graduate of Wilfrid Laurier University with an Honours B.B.A and a M.B.A from York University, Toronto. A chartered accountant with over 30 years of experience in financial positions. Principal - Sehl Consulting and Director of Guelph General Hospital.
Michael Fricker	A CPA (CA) and CFA charter holder with over 25 years of experience in financial positions. Michael has a BA in Economics from Queen's University, and a diploma in accounting from Wilfred Laurier. Michael is currently Chief Financial Officer for Qvella Corporation and Reunion Foods Inc. and serves on the Board of Directors of the Tippet Foundation and Edjar International Inc.
Paul Quigley	Over 30 years in senior business management positions. Paul is currently the President of Quigley Group Inc.. Paul was previously Director / Process Architect for Just Fix ItInc. and Director / Consultant at Stinson Equipment Ltd.
William Wiener	Bill Wiener is a Professional Engineer. He graduated in Engineering at the University of Toronto in 1977, from the Department of Engineering Science, Electrical Option. He worked in the family business, Viscor Inc. since his graduation until it was acquired by Leviton in 2019. Viscor Inc. is a manufacturer of commercial and industrial lighting products and is the largest and most modern lighting manufacturer in Canada. Bill is currently Chairman of the Board of 35 Oak Holdings Ltd.

3. The mandate of the Audit Committee consists of the following objectives:
- (a) The Committee will review the financial statements and related disclosures; including reports to shareholders, MD&A, Annual Information Form, Management Information Circular, annual and interim earnings press releases, and other related communications and make recommendations to the Board of Directors for their release.
 - (b) The Committee will periodically assess the adequacy of procedures in place related to the review of public disclosure of information derived from the financial statements, other than the public disclosure described in (a) above.
 - (c) The Committee shall review the process relating to and the certifications of the Chief Executive Officer and the Chief Financial Officer on the integrity of the Company's quarterly and annual consolidated financial statements
 - (d) The Committee will recommend to the Board of Directors the external independent auditor to be nominated to perform the annual audit and issue an auditor's report.
 - (e) The Committee will review the external auditor's audit process, including the scope, fees and timing of the audit and recommend to the Board of Directors the compensation of the external auditor.
 - (f) The Committee will provide oversight to the audit process and facilitate resolution of disagreements that may arise between management and the external auditor regarding financial reporting. In addition, the Committee will monitor the independence of the external auditor.
 - (g) The Committee will review and discuss with management and the external auditors the adequacy of the Company's internal controls and financial reporting controls
 - (h) The Committee will review and discuss with management and the external auditors the accounting policies which may be viewed as critical, and review and discuss any significant changes in the accounting policies of the Company that may have a significant impact on the Company's financial reports.
 - (i) The Committee will review and provide approval for non-audit services to be provided by the external auditor.
 - (j) The Committee will ensure that a procedure is in place for the receipt, retention and treatment of complaints received by the Corporation regarding fraud or illegal acts, and provide a system for the confidential and anonymous submission by employees of the Corporation of issues and concerns related to questionable accounting or auditing matters.
4. The Committee shall convene meetings as deemed necessary to fulfill the objectives of its mandate. Generally four times per year.
5. Unless the Committee otherwise specifies, the Secretary of the Corporation shall act as Secretary of all meetings of the Committee.

6. The Committee will hold meetings in private with the external auditor as deemed necessary to fulfill the objectives of its mandate.
7. A copy of the minutes of each meeting of the Committee shall be provided to all Directors of the Corporation in a timely fashion.
8. The Committee shall have the authority to conduct or authorize investigations into any matters within its scope of responsibilities with full access to all books, records, facilities, and personnel and shall have the authority to retain outside counsel, experts and other advisors as it determines appropriate to assist it in the conduct of any investigation.
9. The Committee will review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Company.
10. The Committee will review financial and accounting personnel succession planning within the company.
11. Establish and monitor the Company's Whistleblower policy.
12. Review and approve periodically management's risk management program and policies.
13. Annually review the adequacy of the insurance coverage for directors, officers, Board committee chairs and committee members.
14. The Committee will review and update this Charter on a periodic basis for approval by the Board of Directors.