



Notice of Meeting & Management Information Circular

Annual General Meeting of Shareholders to be held

Thursday, May 14, 2020
1:30 p.m.
(Eastern Time)

Cutten Fields
(The Cutten Room)
190 College Avenue East
Guelph, Ontario, N1H 6L3

Shareholders please note:

"Should the meeting date and/or any other details in connection with the Annual General Meeting need to be changed due to COVID-19, HPS will issue a press release advising of such changes."

Hammond Power Solutions Inc.

ANNUAL GENERAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of Shareholders of **Hammond Power Solutions Inc.** (the "**Corporation**") will be held at Cutten Fields (The Cutten Room) 190 College Avenue East, Guelph, Ontario, N1H 6L3 on **Thursday, May 14, 2020**, at the hour of **1:30 p.m. (Eastern Time)** for the following purposes:

1. to receive the Annual Report, including the financial statements for the period ending December 31, 2019, together with the report of the auditor thereon; See Particulars of Matters to be Acted Upon – 1. Presentation of the Financial Statements and the Report of the Auditor;
2. to elect the directors of the Corporation (the "**Directors**"); See Particulars of Matters to be Acted Upon – 2. Election of Directors;
3. to appoint KPMG LLP, Chartered Professional Accountants, as the auditor of the Corporation (the "**Auditor**") and to authorize the Directors to fix the remuneration of the Auditor; See Particulars of Matters to be Acted Upon – 3. Appointment of Auditor; and
4. to transact all such further and other business as may properly come before the meeting or any adjournment thereof.

RECORD DATE: Shareholders are entitled to vote at the meeting, and any adjourned or postponed meeting, if they held Class A Subordinate Voting Shares or Class B Common Shares as of 5:00 p.m. (Eastern Time) on March 30, 2020.

NOTICE-AND-ACCESS: In November 2012, the Canadian Securities Administrators announced the adoption of regulatory amendments to securities laws governing the delivery of proxy related materials by public companies. As a result, public companies are now permitted to advise their shareholders of the availability of all proxy related materials on an easily accessible website rather than mailing physical copies of the materials. The Corporation has adopted the "notice-and-access" system for the delivery of the Corporation's proxy materials through the Transfer Agent's website, www.envisionreports.com/HPS2019 or at the Corporation's profile at www.sedar.com. Shareholders, who receive this notice, have the ability to access the proxy materials on the website and to request a paper copy of the proxy materials. Instructions on how to access the proxy materials through the website or to request a paper copy may be found in this notice. Electronic delivery reduces the cost and environmental impact of producing and distributing paper copies of documents in very large quantities. It also provides shareholders with faster access to information about the Corporation. Shareholders who have already signed up for electronic delivery of proxy materials will continue to receive them by e-mail. All shareholders are reminded to review the management information circular before voting.

PAPER COPIES OF MEETING MATERIALS:

For Holders with a 15 Digit Control Number: Request materials by calling Toll Free, within North America 1-866-962-0498 or direct, from outside North America (514) 982-8716, and entering your control number as indicated on your Voting Instruction Form or Proxy. To obtain paper copies of the materials after the meeting, please contact 1-855-887-2243.

For Holders with a 16 Digit Control Number: Request materials by calling Toll Free, within North America 1-877-907-7643 or direct, from outside North America (905) 507-5450 and entering your control number as indicated on your Voting Instruction Form or Proxy. To obtain paper copies of the materials after the meeting, please contact 1-877-907-7643.

A paper copy will be sent to you within 3 business days of receiving your request, if the request is made at any time prior to the meeting. In order to receive the meeting materials prior to the proxy deadline (as described below) for the meeting, you should make your request before 8:00 a.m. (Eastern Time) on May 7, 2020. For requests received on or after the date of the meeting, a paper copy will be sent to you within 10 calendar days after receiving your request.

If you have any other questions about "notice-and-access", please contact Dawn Henderson at 519-822-2441 or email ir@hammondpowersolutions.com.

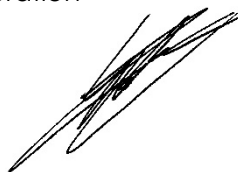
Shareholders who are unable or who are not expecting to be present in person at the meeting are requested to complete the proxy materials (available to you on the Internet) where persons selected by the Directors are named as proxy holders. **HOWEVER, IF ANY SHAREHOLDER CHOOSES TO APPOINT A PERSON OR PERSONS OTHER THAN THE ONES SO NAMED, THE NAME OF SUCH PERSON, WHO NEED NOT BE A SHAREHOLDER, SHOULD BE INSERTED IN THE BLANK SPACE PROVIDED FOR THIS PURPOSE AND THE OTHER NAMES STRICKEN.**

Please indicate on the form of proxy how you want your vote recorded with respect to each of the items noted thereon by inserting an "X" in the appropriate box. **UNLESS OTHERWISE INDICATED, YOUR SHARES WILL BE VOTED IN FAVOUR OF SUCH ITEMS.**

In order to be valid for use at the Meeting, proxies must be received by Computershare no less than 48 hours (excluding Saturdays, Sundays and statutory and civic holidays) preceding the commencement of the Meeting or any adjournment thereof at which time the proxy is to be used (the proxy deadline).

Dated at Guelph, Ontario, this 25TH day of March, 2020

By order of the Board of Directors of the Corporation



Christopher R. Huether
Chief Financial Officer and Corporate Secretary

HAMMOND POWER SOLUTIONS INC.

MANAGEMENT INFORMATION CIRCULAR

FORWARD LOOKING INFORMATION

This Management Information Circular may contain forward-looking information that involve a number of risks and uncertainties, including statements that relate to among other things, Hammond Power Solutions Inc.'s (the "**Corporation**") strategies, intentions, plans, beliefs, expectations and estimates, and can generally be identified by the use of words such as "may", "will", "could", "should", "would", "likely", "expect", "intend", "estimate", "anticipate", "believe", "plan", "objective" and "continue" and words and expressions of similar import. Although the Corporation believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties, and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied in making forward-looking statements, and actual results may differ materially from those expressed or implied in such statements. Important factors that could cause actual results to differ materially from expectations include but are not limited to: general business and economic conditions (including but not limited to currency rates); changes in laws and regulations; legal and regulatory proceedings; and the ability to execute strategic plans. The Corporation does not undertake any obligation to update publicly or to revise any of the forward-looking statements contained in this document, whether as a result of new information, future events or otherwise, except as required by law.

Any forward-looking information in this Management Information Circular represents our views as of March 27, 2020; the date of this Management Information Circular and such information should not be relied upon as representing our views as of any date subsequent to the date of this Management Information Circular. **There can be no assurance that any forward-looking information will prove to be accurate, as actual results and future events could differ materially from those expected or estimated in such statements. Accordingly, readers should not place undue reliance on any such forward-looking information.** For a list of factors that could affect the Corporation, see "risk factors" highlighted in materials filed with the securities regulatory authorities in Canada from time to time.

SOLICITATION OF PROXIES

THIS MANAGEMENT INFORMATION CIRCULAR IS FURNISHED TO THE SHAREHOLDERS OF THE CORPORATION (THE "SHAREHOLDERS") IN CONNECTION WITH THE SOLICITATION OF PROXIES BY THE MANAGEMENT OF THE CORPORATION FOR USE AT THE ANNUAL MEETING OF THE SHAREHOLDERS REFERRED TO IN THE NOTICE OF MEETING ACCOMPANYING THIS MANAGEMENT INFORMATION CIRCULAR TO BE HELD ON THE 14th DAY OF MAY, 2020 AT THE PLACE AND TIME AND FOR THE PURPOSES SET FORTH IN THE AFOREMENTIONED NOTICE AND AT ANY AND ALL ADJOURNMENTS THEREOF (THE "ANNUAL MEETING").

It is expected that the solicitation of proxies by management of the Corporation will either be electronically and/or by mail. Proxies may also be solicited personally by employees, officers and directors of the Corporation at nominal cost. The cost of solicitation by management will be borne by the Corporation.

In order to be valid for use at the Meeting, proxies must be received by Computershare no less than 48 hours (excluding Saturdays, Sundays and statutory and civic holidays) preceding the commencement of the Meeting or any adjournment thereof at which time the proxy is to be used.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the form of proxy are members of the management of the Corporation. **A SHAREHOLDER MAY APPOINT A PROXY HOLDER OTHER THAN THE PERSONS DESIGNATED IN THE ACCOMPANYING FORM OF PROXY TO ATTEND AND ACT ON BEHALF OF THE SHAREHOLDERS AT THE ANNUAL MEETING.** A SHAREHOLDER DESIRING TO APPOINT SOME OTHER PERSON OR COMPANY TO REPRESENT HIM OR HER AT THE MEETING MAY DO SO EITHER BY INSERTING SUCH PERSON'S OR COMPANY'S NAME IN THE BLANK SPACE PROVIDED IN THE ACCOMPANYING FORM OF PROXY AND STRIKING OUT THE NAMES OF THE PERSONS SPECIFIED OR BY COMPLETING ANOTHER PROPER FORM OF PROXY AND, IN EITHER CASE, DELIVERING THE COMPLETED PROXY IN ACCORDANCE WITH THE INSTRUCTIONS PRINTED ON THE ACCOMPANYING FORM OF PROXY.

A Shareholder, who has given a proxy, may revoke it either by: (a) signing or having an authorized attorney sign a proxy bearing a later date and delivering it in accordance with the printed instructions aforementioned; or (b) signing or having an authorized attorney sign a written notice of revocation and by delivering it to the Corporation or an agent thereof prior to the commencement of the Annual Meeting or as to any matter on which a vote shall not already have been cast pursuant to the authority conferred by such proxy, by handing it to the Chairman of the Annual Meeting.

A person named as a proxy need not be a Shareholder to vote the shares to be voted by the form of proxy in which he or she is named. THE NOTES PRINTED ON THE FORM OF PROXY ACCOMPANYING THE NOTICE OF MEETING SHOULD BE READ CAREFULLY AND THE INSTRUCTIONS SET OUT THEREIN FOLLOWED.

EXERCISE OF DISCRETION BY PROXIES

If the enclosed form of proxy is properly completed and returned, the person named in the proxy will vote or withhold from voting the shares represented by the proxy in accordance with the instructions of the Shareholder appointing him or her as indicated on the form of proxy or as otherwise instructed in writing on any ballot or vote that may be called for, and, if the Shareholder specifies a choice, such choice will be voted accordingly. WHERE NO CHOICE IS INDICATED ON THE FORM OF PROXY, NOR CONTRARY WRITTEN INSTRUCTIONS RECEIVED, AN AFFIRMATIVE VOTE WILL BE CAST IN RESPECT OF MATTERS PROPERLY PUT BEFORE THE ANNUAL MEETING. The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments to or variations of the matters set out in the form of proxy and on all other matters which may properly come before the Annual Meeting. As of the date hereof, the management of the Corporation knows of no such amendment or variation nor of any matter to come before the Annual Meeting other than the matters referred to in the Notice of Meeting.

Non-Registered Shareholders

Only registered Shareholders or duly appointed proxy holders are permitted to vote at the Annual Meeting. Many Shareholders are "non-registered" shareholders because the shares they own are not registered in their names but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased the shares.

A person is not a registered Shareholder (a "**Non-Registered Holder**") in respect of shares which are held either: (a) in the name of an intermediary (an "**Intermediary**") that the Non-Registered

Holder deals with in respect of the shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered Registered Retirement Savings Plans, Registered Retirement Income Funds, Registered Education

Savings Plans, Tax Free Savings Accounts and similar plans); or (b) in the name of a clearing agency (such as CDS Clearing and Depository Services Inc.), of which the Intermediary is a participant. In accordance with the requirements of National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer*, the Corporation has distributed copies of the Notice of Meeting, this Management Information Circular, the Notice & Access Form and the Form of Proxy (collectively, the “**Meeting Materials**”) to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders and posted this Management Information Circular on the website maintained by the Corporation’s transfer agent at www.envisionreports.com/HPS2019. Intermediaries are required to forward the Meeting Materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them.

Intermediaries will frequently use service companies to forward the Meeting Materials to Non-Registered Holders. Generally, Non-Registered Holders who have not waived the right to receive Meeting Materials will either;

- (a) be given a form of proxy which has already been signed by the Intermediary (typically by a facsimile, stamped signature), which is restricted as to the number of shares beneficially owned by the Non-Registered Holder and must be completed, but not signed, by the Non-Registered Holder and deposited with Computershare Investor Services Inc.; or
- (b) more typically, be given a voting instruction form (often called a “**proxy authorization form**”) which is not signed by the Intermediary, and which, when properly completed and signed by the Non-Registered Holder and returned to the Intermediary or its service company, will constitute voting instructions which the Intermediary must follow.

In either case, the purpose of this procedure is to permit Non-Registered Holders to direct the voting of the shares of the Corporation which they beneficially own. Should a Non-Registered Holder who receives one of the above forms wish to vote at the Annual General Meeting in person; the Non-Registered Holder should insert the Non-Registered Holder’s name in the blank space provided.

Non-Registered Holders should carefully follow the instructions of their Intermediary, including those regarding when and where the proxy or proxy authorization form is to be delivered.

PARTICULARS OF MATTERS TO BE ACTED UPON

1. Presentation of the Financial Statements and the Report of the Auditor

The audited consolidated financial statements of the Corporation and its subsidiaries for the year ended December 31, 2019 and the report of the auditor of the Corporation will be presented by management. These are contained in full in the Annual Report of the Corporation, copies of which can be found and downloaded at www.envisionreports.com/HPS2020 or at Hammond’s profile at www.sedar.com or mailed to Shareholders, as requested, with this Management Information Circular.

2. Election of Directors

Currently, there are seven directors of the Corporation (collectively the "**Directors**" or individually a "**Director**") who are elected annually. As one of the current directors has indicated that he does not wish to be re-elected and two new directors are nominated for election, there are eight directors listed for election at the Annual General Meeting. Unless such authority is withheld, the persons named in the enclosed form of proxy intend to vote for the election of a Board of Directors of the Corporation (the "**Board of Directors**") comprising the nominees whose names are set forth below. Management of the Corporation does not contemplate that any of the nominees will be unable to serve as a Director but should that occur for any reason prior to the Annual Meeting, the person named in the enclosed form of proxy reserves the right to vote for another nominee in his or her discretion. Subject to the above comments, each Director elected will hold office until the next annual meeting of the Corporation or until a successor is duly elected or appointed, unless his or her office is earlier vacated in accordance with the by-laws of the Corporation.

As a listed issuer that is majority controlled, the Corporation will rely on an exemption from the majority voting requirement prescribed by the *TSX Company Manual*. Listed issuers with more than one class of listed securities may only rely on this exemption with respect to the majority controlled classes that vote together for the election of directors. The Board of Directors have decided to rely on this exemption. The Board of Directors has come to this conclusion in part because: (1) the Corporation has never experienced a high number of withheld votes for its Directors in past elections; and (2) in light of the voting rights held by Mr. Hammond and related parties amounting to approximately 60.6% of the votes eligible to be cast at the Annual Meeting and his declared intention to cause these votes to be cast in favour of the nominees, it is very unlikely that any Director would not receive more "for" votes than "withheld" votes. The Corporation continues to review and consider, among other things, its director election voting policy, evolving market practices on majority policies and best practices in corporate governance.

The following table and notes thereto state the names of all the persons proposed to be nominated by the management of the Corporation for election as Directors, their place of residence, their principal occupations or employment and the date on which each became a Director of the Corporation. The table also sets out the number and type of shares of the Corporation or of any subsidiary of the Corporation beneficially owned, directly or indirectly, or controlled or directed by each of them as at the date hereof.

Richard S. Waterman is not standing for re-election at the Annual General Meeting on May 14, 2020.

Name, province/state and country of residence, principal occupation and positions with other boards within the past 5 years	Position within the Corporation	Director Since	Number of shares owned or controlled, directly or indirectly	Deferred Share Units Ownership
WILLIAM G. HAMMOND Guelph, Ontario, Canada Director, Chairman & Chief Executive Officer	Director, Chairman & Chief Executive Officer	January 2001	Class A 1,063,152 (Note 1)	15,893
DONALD H. MACADAM Port Dover, Ontario, Canada Director, Xbiotech Inc.	Director	May 2002	Class A 17,600	11,777
GRANT C. ROBINSON Guelph, Ontario, Canada Former Partner, BDO Canada LLP	Lead Director	May 2007	Class A 32,764	11,777

Name, province/state and country of residence, principal occupation and positions with other boards within the past 5 years	Position within the Corporation	Director Since	Number of shares owned or controlled, directly or indirectly	Deferred Share Units Ownership
DAVID J. FITZGIBBON Cincinnati, Ohio, U.S.A. Vice Chairman, IlSCO	Director	May 2009	Class A 15,000	11,777
DAHRA GRANOVSKY Toronto, Ontario, Canada CEO of Beresford Box & Accurate Rolar Folding Cartons Director & Past President, Atlantic Packaging	Director	May 2011	Class A 8,750	15,028
FRED M. JAQUES Toronto, Ontario, Canada Managing Director, Premium Brands	Director	May 2014	None	18,281
ANNE MARIE TURNBULL - Note 2 Oakville, Ontario, Canada President, AMT Associates Ltd Director, Exco Technologies Ltd	Director	N/A	None	None
J. DAVID M. WOOD – Note 2 London, Ontario, Canada Faculty Member - The Ivey Business School Board Chair, Danby Appliances	Director	N/A	None	None

Note 1: William G. Hammond owns directly or indirectly 315,042 Class A Subordinate Voting Shares. In addition, William G. Hammond beneficially owns all the shares of Arathorn Investments Inc., which owns 748,110 Class A Subordinate Voting Shares and 2,778,300 Class B Common Shares of the Corporation.

The information as to the shares of the Corporation beneficially owned, controlled or directed, directly or indirectly, by the Directors, not being within the knowledge of the Corporation, has been provided by each Director.

The Board of Directors committee details are listed below naming the Directors who are members of the Board of Directors committees.

Note 2: A proposed Director and not already a Director of the Corporation

Audit Committee

The Audit Committee (as defined herein) is comprised of the independent Directors, Donald H. MacAdam, Grant C. Robinson, David J. FitzGibbon, Dahra Granovsky, Richard S. Waterman and Fred M. Jaques (the “**Independent Directors**”). The Chair of the Audit Committee is David J. FitzGibbon.

For further information regarding the Audit Committee, please see the Corporation's Annual Information Form dated March 27, 2020, which can be accessed through the System for Electronic Document Analysis and Retrieval (SEDAR) website at www.sedar.com

Compensation Committee

The Compensation Committee (as defined herein) is comprised of the Independent Directors, David J. FitzGibbon, Donald H. MacAdam, Grant C. Robinson, Dahra Granovsky, Richard S. Waterman and Fred M. Jaques. The Chair of the Compensation Committee is Fred M. Jaques (See – “Statement of Executive Compensation” – page 12).

Corporate Governance Committee

All Directors are members of the Corporate Governance Committee (as defined herein). The Chair of the Corporate Governance Committee is Richard S. Waterman.

The Corporation does not have an Executive Committee of its Board of Directors. William G. Hammond is the Chair of the Board of Directors and Grant C. Robinson is the Lead Director.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

No proposed director of the Corporation:

- (a) is, as of the date hereof, or has been, within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company (including HPS) that:
 - (i) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days (collectively, an “**Order**”) that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or
 - (ii) was subject to an Order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting as director, chief executive officer or chief financial officer;
- (b) is, as of the date hereof, or has been within 10 years before the date hereof, a director or executive officer of any company (including HPS) tat, 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;
- (c) has, within 10 years before the date hereof, 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; or
- (d) has been subject to:
 - (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
 - (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a proposed director.

3. Appointment of Auditor

Unless otherwise indicated, the persons named in the enclosed form of proxy intend to vote for re-appointment of KPMG LLP, Chartered Professional Accountants - Waterloo, Ontario, as auditor for the Corporation (the "**Auditor**") to hold office until the next Annual Meeting of the Corporation and to authorize the Directors to fix the remuneration of the auditor.

The following table sets forth the various services for continuing operations provided by KPMG LLP to the Corporation during the last two fiscal years, together with the fees billed for such services:

Professional Service ⁽¹⁾	2019	2018
Audit and audit related fees	\$261,402	\$254,174
Tax Fees ⁽²⁾	\$190,196	\$170,888
Other Fees ⁽³⁾	\$9,500	\$9,400

(1) In addition to the above, the Corporation paid \$151,255 in 2019 (\$143,704 in 2018) to Deloitte (Mexico) related to the Mexican operations.

(2) Preparation of tax returns for the Corporation and all related subsidiaries and the U.S. income tax advisory services and miscellaneous professional tax services.

(3) Pension Plan Audit.

INTEREST OF CERTAIN PERSONS AND COMPANIES IN MATTERS TO BE ACTED UPON

No person, who has been a Director or executive officer of the Corporation during the past financial year of the Corporation and no person who is a proposed nominee for election as a Director of the Corporation or any associate or affiliate of such Director, executive officer or proposed nominee, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise in any matter to be acted upon at the Annual Meeting.

VOTING SHARES

The Corporation has 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 8,966,624 Class A Subordinate Voting Shares and 2,778,300 Class B Common Shares.

The holders of record of the Class A Subordinate Voting Shares and the Class B Common Shares on March 30, 2020 (the "**Record Date**"), are entitled to receive notice of and to vote at the Annual Meeting and at any adjournment thereof. A transferee of Class A Subordinate Voting Shares or Class B Common Shares acquired after such Record Date will be entitled to vote such shares at the Annual Meeting or any adjournment thereof if such transferee produces properly endorsed certificates for such shares, or otherwise establishes that he or she owns such shares, and demands, at least ten business days before the Annual Meeting, to be included on the list of Shareholders entitled to vote at the Annual Meeting. The failure of any Shareholder to receive notice of the Annual Meeting shall not deprive such Shareholders of voting at the Annual Meeting. Each Class A Subordinate Voting Share carries the right to one vote representing approximately 44.7% of the aggregate voting rights of the Corporation.

Each Class B Common Share carries the right to four votes. Each holder of Class B Common Shares is entitled to vote at the Annual Meeting, except to the extent that he or she has transferred ownership of such shares after the Record Date.

In the event of a "take-over" (as defined in the *Securities Act* (Ontario)) being made for the Class A Subordinate Voting Shares or the Class B Common Shares which results in either the W. G. Hammond Family (defined below) or any Acceptable Successor (defined below) ceasing to beneficially own, directly or indirectly, shares of the Corporation carrying not less than 50% of the votes attaching to all issued shares of the Corporation, each Class A Subordinate Voting Share shall be deemed to have been converted into one Class B Common Share.

"W. G. Hammond Family" means any one or more of William G. Hammond, his spouse, estate, issue or heirs, any trustee, executor, administrator or personal representative of his estate, or any corporation which any one or more of the foregoing together control within the meaning of the *Securities Act* (Ontario); and

"Acceptable Successor" means any person or persons acting jointly or in concert who beneficially own, directly or indirectly, such number of Class A Subordinate Voting Shares, Class B Common Shares or any other class or series of shares of the Corporation to which are attached not less than 50% of the votes attaching to all issued shares of the Corporation, provided that all such Class B Common Shares so owned by such person or persons which have been acquired from the Corporation, the W. G. Hammond Family or another Acceptable Successor have been acquired:

- (i) at a price or for consideration of a value not exceeding the then current price (as defined in the articles of the Corporation) of the Class A Subordinate Voting Shares on a published market (as defined in the articles), plus 15%; or
- (ii) in a transaction or series of transactions including the making of a general offer for Class A Subordinate Voting Shares (A) at a price or for consideration of a value not less than the price or value, and on terms not less favourable than terms, applying to the purchase of the Class B Common Shares, on a share for share basis, and (B) comprising the lesser of all the Class A Subordinate Voting Shares or that number of Class A Subordinate Voting Shares equal to the number of Class B Common Shares acquired multiplied by four.

To the best of the knowledge of the Directors and executive officers of the Corporation, the only persons or companies beneficially owning, or controlling or directing, directly or indirectly, 10% or more of the voting rights attached to all issued and outstanding Class A Subordinate Voting Shares of the Corporation as at the date hereof are:

Name	Number of Class A Subordinate Voting Shares	Percentage of Class
William G. Hammond ⁽¹⁾ , ⁽²⁾	1,063,152	11.9%
Foyston, Gordon and Payne Inc. ⁽³⁾	1,579,193	17.6%
FIAM LLC and Fidelity Institutional Asset Management Trust Company ⁽⁴⁾	894,700	10.0%

- (1) This information, not being within the knowledge of the Corporation, has been provided by the shareholder.
- (2) William G. Hammond owns 748,110 Class A Subordinate Voting Shares through Arathorn Investments Inc.
- (3) Information reported is based on securities filings as of January 7, 2019 by Foyston, Gordon and Payne (as an alternate reporter), which holds such shares in its managed accounts.
- (4) Information reported is based on securities filings as of July 11, 2016 by FIAM LLC and Fidelity Institutional Asset Management Trust Company (as an alternate reporter), which holds such shares in its managed accounts.

As at the date hereof, Arathorn Investments Inc. beneficially owns 2,778,300 Class B Common Shares of the Corporation, representing 100% of the issued and outstanding Class B Common Shares of the Corporation and 748,110 Class A Subordinate Voting Shares of the Corporation, representing approximately 8.3% of the issued and outstanding Class A Subordinate Voting Shares of the Corporation. All of the issued and outstanding shares of Arathorn Investments Inc. are owned by William G. Hammond, Chief Executive Officer and Chairman of the Corporation.

STATEMENT OF EXECUTIVE COMPENSATION

Composition of Compensation Committee

For the fiscal year ending December 31, 2019, the Compensation Committee consisted of the following Independent Directors: Donald H. MacAdam, Grant C. Robinson, David J. FitzGibbon, Dahra Granovsky, Richard S. Waterman and Fred M. Jaques.

The Committee has direct oversight of executive compensation of the Company. Committee members have varied experience which include the design and implementation of fixed and variable compensation programs that align with operational effectiveness, performance evaluation management systems and oversight and approval for compensation arrangements for NEO's and senior executives.

The Company's compensation philosophy is to ensure fairness, tie merit increases to individual performance, and also link compensation to overall corporate performance.

The Company targets its overall compensation to be at the median of an average group of companies in the electrical and industrial market.

The responsibilities of the Committee include-

- (a) ensuring that the Corporation has in place programs to attract and develop management of the highest calibre and a process to provide for the orderly succession of management;
- (b) review and approve corporate goals and objectives relevant to the compensation of the Chief Executive Officer and, in light of those goals and objectives, to recommend to the Board the annual salary, bonus and other benefits, direct and indirect, of the Chief Executive Officer and to approve compensation for all other designated officers of the Corporation;
- (c) review and approve the executive bonus plan and compensation paid out against the plan;
- (d) recommending compensation policies to the Board concerning executive compensation, contracts, stock plans or other incentive plans, from time to time, to review the Corporation's broad policies and programs in relation to benefits;
- (e) from time to time, to review with the Chief Executive Officer the Corporation's broad policies on compensation for all employees;
- (f) periodic review of the adequacy and form of the compensation of directors and to ensure that the compensation realistically reflects the responsibilities and risks involved in being an effective director, and to report and make recommendations to the Board accordingly;

- (g) reporting regularly to the Board on all of the Committee's activities and findings during that year; and
- (h) to review executive compensation disclosure before the Corporation publicly discloses this information.

Compensation Discussion and Analysis

While the Board of Directors of the Corporation has not adopted a written policy concerning the compensation of executive officers of the Corporation, it has developed a consistent approach and philosophy relating to executive compensation. The overriding objectives in the determination of executive compensation are the need to provide total compensation packages that will attract and retain qualified and experienced executives, reward the executives for the contribution to the overall success of the Corporation and integrate the longer term interest of the executives with the investment objectives of the Shareholders.

The Compensation Committee is responsible for evaluating compensation for executive officers and reviewing the salaries, bonuses and long-term incentives of the executive officers of the Corporation, including the Chairman and Chief Executive Officer and the Chief Financial Officer and Corporate Secretary of the Corporation (the "**Named Executive Officers**" or "**NEOs**"), on an annual basis.

All executive compensation is based on market assessments of competitive rates.

Executive compensation at the Corporation consists of the following four elements:

Base Salary

The primary emphasis of the Corporation's compensation packages is to ensure that base salaries are competitive and consistent with those being paid for positions of similar responsibility in companies of comparable size and complexity. The base salaries for the executive officers are compared to local markets and are set within an appropriate range to reflect the employee's level of responsibility and performance.

Deferred Share Unit Plans

On February 23, 2017, the Board of Directors approved a Deferred Share Unit Plan for Directors and a Deferred Share Unit Plan for senior executives (collectively, the "**DSU Plans**"). The Plans shall be unfunded and the Corporation will not secure its obligations under the Plans.

The purpose of the DSU Plans is to promote a greater alignment of interests between directors, senior executives and the Corporation. The DSU Plans provide a means for Directors and senior executives (collectively, the "**Participants**") to accumulate a financial interest in the Corporation, commensurate with the responsibility, commitment and risk of their respective positions; and to enhance the Corporation's ability to attract and retain qualified individuals with the experience and ability to serve as directors and attract and retain senior executives.

The DSU Plans are administered by the Compensation Committee. Pursuant to the DSU Plans, each Participant will have a deferred share unit account to record all awards of deferred share units ("**DSUs**").

Under the DSU Plans, the Board may make annual discretionary awards of DSUs to Participants. These DSUs will be credited to each Participant's account in equal quarterly amounts on the 1st day of March, June, September or December, or if that day is not a business day, the following business day.

In addition, under the Deferred Share Unit Plan for Directors, a director may elect to receive all or any part of his or her annual base retainer fee in the form of DSUs. The number of DSUs credited to a director's account is determined by dividing the amount of the elected deferred annual compensation by the market value of a Class A Subordinate Voting Share of the Corporation (a "**Share**") on the date the DSUs are credited. The DSUs are credited to a director's account on the date the director's compensation would otherwise be payable.

When dividends are paid on Shares, additional DSUs are credited to the Participants as of the dividend payable date, based on multiplying the aggregate number of DSUs credited to the Participant by the amount of the dividend per Share, and dividing such product by the market value of the Shares on the dividend payable date.

All DSUs vest immediately upon being credited to a Participant's DSU account.

Upon a Participant ceasing, for any reason, to hold any position with the Corporation (the "**Termination Date**") and any subsidiary of the Corporation, all DSUs will be redeemed by the Corporation. A Participant is not entitled to receive any amount prior to such date. A Participant may elect, by providing a notice in writing to the Corporation prior to the Termination Date, that all earned DSUs be redeemed at a time subsequent to the Termination Date and prior to the end of the year following the year in which the Participant's Termination Date occurs. Upon redemption, the Participant is entitled to receive a cash payment equal in value to the number of earned DSUs as of the Termination Date multiplied by the market value per Share determined as at the Termination Date, less applicable withholding taxes. In the event that the Termination Date falls within a trading blackout period imposed by management or the Board, the Termination Date is automatically extended to the date that is five business days after the end of the blackout period.

Stock Option Plan

The Corporation has a "Stock Option Plan", pursuant to which the Board of Directors may, from time-to-time, in its discretion, grant options to purchase authorized, but unissued, Class A Subordinate Voting Shares of the Corporation to any Director, officer, employee or consultant of the Corporation. The Chief Executive Officer determines and recommends the options to be granted under the Stock Option Plan to the Compensation Committee for review and approval. Previous grants are taken into account when considering new grants.

The Stock Option Plan is prepared in compliance with the requirements of the TSX and approved by the Shareholders. The purpose of the Stock Option Plan is to improve the Corporation's long-term financial success by closely aligning the participants' personal interests with those of the Shareholders.

The maximum number of Class A Subordinate Voting Shares that may be issued is 1,200,000 Class A Subordinate Voting Shares. As December 31, 2019 the Corporation has granted 739,000 options, of which 409,000 have been exercised and Class A Subordinate Voting Shares issued.

The compensation committee considers a recommendation by the CEO for amending any equity incentive plan under which a share-based or option-based award is granted.

Annual Performance Incentive Plan

The purpose of this incentive is to provide performance-based compensation for the achievement of the annual financial, operational and strategic objectives incorporated in the Corporation's annual business plan. Named Executive Officers and key employees of the Corporation participate in the Annual Performance Incentive Plan whereby these officers and managers may receive additional compensation based on performance. The amounts awarded under the

Annual Performance Incentive Plan are reviewed and approved by the Compensation Committee.

The Annual Performance Incentive Plan is approved by the Board of Directors. There are two elements to the plan: i) Earnings per share ("**EPS**") and ii) Return on Net Assets ("**RONA**"). There is no minimum threshold target for EPS but a minimum threshold target is set annually for RONA and the percentage earned is structured on an escalating basis; the higher the achieved result, the higher the percentage pay-out. At the discretion of the Compensation Committee, bonus payments may be made in recognition of outstanding performance related to special projects or for performance beyond the employee's job description.

The entitlement in each year, payable in cash in the subsequent year, for officers and managers is based on pre-determined annual performance metrics. The distribution of the incentive fund to the participating members may include a subjective assessment of the individual's performance. In February 2020, payments amounting to \$1,577,778 were made to executive officers and key employees (in total 29 employees) for services rendered in 2019. In February 2019, payments amounting to \$451,130 were made to executive officers and key employees (in total 31 employees) for services rendered in 2018.

Compensation Risk Assessment

The Compensation Committee, in accordance with its mandate, reviews the risks associated with the Corporations compensation policies and practices.

The Corporation's compensation programs are designed with a balanced approach aligned with its business strategy and risk profile. A number of risk mitigating features in the Corporation's compensation governance processes and compensation structure include:

- » **Compensation objectives.** The Corporation has formalized compensation objectives to help guide compensation decisions and incentive design and to effectively support its pay for performance policy.
- » **Annual review of incentive programs.** Each year, the Corporation reviews and sets performance measures and targets for the annual incentive plan.
- » **Independent compensation advisor.** The Compensation Committee utilizes the services of an independent professional consultant to provide an external perspective of market place changes and best practices related to compensation design, governance and compensation risk management.
- » **Variable compensation mix.** For the NEOs, a significant portion of target total direct compensation is delivered through variable compensation (annual performance incentive and long term equity based incentive plans). This mix provides a pay for performance relationship, provides a competitive base level of compensation through salary and mitigates the risk of encouraging the achievement of short-term goals at the expense of creating and sustaining long-term shareholder value as NEO's benefit if shareholder value increases over the long term.

Anti-Hedging Policy

Currently, the Corporation does not have a policy that prohibits a Director or NEO from purchasing financial instruments that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the Director or NEO.

Compensation Fees

The Corporation retains the services of a professional compensation consulting firm to provide guidance and expertise with regards to executive compensation. The consulting firm has been retained by the Corporation since April 2012.

Name	2019		2018	
	Executive Compensation Related Fees	All Other Fees	Executive Compensation Related Fees	All Other Fees
Towers Watson- Compensation -Retained since March 2012	\$2,086	Nil	Nil	Nil
Gordon B. Lang & Associates Inc. - Pension - Retained since September 2014	\$12,882	Nil	\$3,842	Nil

Summary Compensation Table

The following table provides a summary of compensation earned by the Named Executive Officers.

Name and principal position	Year	Salary (\$)	Share-based awards (\$) (Note 1)	Option-based awards (\$) (Note 2)	Non-equity incentive plan compensation (\$)		Pension value (\$) (Note 3)	All other compensation (\$) (Note 4)	Total compensation (\$)
					Annual incentive plans	Long-term incentive plans			
W.G. Hammond Chairman & Chief Executive Officer	2019	437,962	45,000	Nil	262,650	Nil	361,400	Nil	1,107,012
	2018	435,827	45,000	Nil	79,808	Nil	41,196	Nil	601,831
	2017	425,210	20,000	Nil	133,875	Nil	44,604	Nil	623,689
C.R. Huether Chief Financial Officer & Corporate Secretary	2019	323,425	45,000	Nil	161,624	Nil	138,385	Nil	668,434
	2018	312,406	45,000	Nil	47,693	Nil	40,603	Nil	445,702
	2017	300,175	20,000	Nil	78,750	Nil	40,596	Nil	439,521

Note 1: Deferred Share Units (DSUs) Granted as at December 31, 2019

On February 21, 2019, the Compensation Committee granted 7,143 DSUs (in 2018 – 4,767 DSUs) to both of the NEOs to be issued in quarterly instalments on March 1, June 1, September 1 and December 1. The market value of the Class A shares at the date of the grant was \$6.30 (\$9.44 in 2018). All DSUs vest immediately upon being credited to the participant's account.

Note 2: Stock Options Granted as at December 31, 2019

No Stock Options were granted during 2019, 2018 and 2017.

Note 3: Pension Plans

Effective January 1, 2014, Individual Pension Plans (IPP) were established for the Named Executive Officers and in 2019 a Retirement Compensation Arrangement (RCA) was established for W.G. Hammond (see pages 19 & 20 for details of the IPP and RCA). The Corporation's contribution is based on a calculation reflecting the salary level, age and years of service of each NEO. Prior to 2014 the NEOs participated in the Corporation's Group RRSP plan. The Corporation matches 50% of the employee's contributions based on 2% - 6.25% of their annual earnings.

Note 4: Other Compensation

Perquisites and other personal benefits include the use of company-leased vehicle and life insurance, the value of which for each executive officer for all financial years is less than \$50,000 and 10% of total salary and, as such, are not included in this column. The average annual value for perquisites provided to executive officers in 2019 was \$16,847.

Incentive Plan Awards**Outstanding option-based and share-based awards**

The following table sets out the option-based incentive awards outstanding at December 31, 2019 for the Named Executive Officers.

Name	Option-based awards				Share-based awards	
	Number of securities underlying unexercised options	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)	Number of shares or units of shares that have not yet vested (#)	Market or payout value of vested share-based awards not paid out or distributed (\$) Note 1
W.G. Hammond Chairman & Chief Executive Officer	30,000	\$10.00	March 14, 2020	Nil	Nil	122,219
	5,000	\$7.50	March 13, 2021	800		
	25,000	\$6.62	March 12, 2022	26,000		
	30,000	\$6.20	March 9, 2023	43,800		
C.R. Huether Chief Financial Officer & Corporate Secretary	30,000	\$10.00	March 14, 2020	Nil	Nil	122,219
	5,000	\$7.50	March 13, 2021	800		
	10,000	\$6.62	March 12, 2022	10,400		

Note 1: On February 17, 2019 the Compensation Committee granted 7,143 DSUs (4,767 DSUs in 2018) to both of the NEOs to be issued in quarterly instalments on March 1, June 1, September 1 and December 1. Under the DSU Plan, additional DSUs are credited quarterly (in total 303 DSUs during 2019 and 112 DSUs during 2018) to the NEO's accounts representing the equivalent value in units of the dividends paid on the Class A shares, based on the market value of the shares at the end of the month in which the dividends are paid. All DSUs vest immediately upon being credited to the participant's account and as at December 31, 2019 the NEO's each had 15,893 vested share-based awards not paid out or distributed.

Share-based Awards and Non-Equity Incentive Plans - Value vested or earned during the year

Name	Option-based awards - Value vested during the year (\$)	Share-based awards - Value vested during the year (\$)	Non-equity incentive plan compensation - Value vested during the year (\$)
W.G. Hammond Chairman & Chief Executive Officer	Nil	56,156	262,650
C.R. Huether Chief Financial Officer & Corporate Secretary	Nil	56,156	161,624

Pension Plans

The Corporation has defined contribution pension plans which are available to substantially all of its employees. The Named Executive Officers (NEO's) participated in this plan until the end of 2013; effective January 1, 2014 Individual Pension Plans (see below) were established for the NEO's. Under the defined contribution pension plans, the Corporation is required to match the contributions of the members based on 2% - 6.25% of their annual earnings. All contributions accumulate in the pension fund based on the investment growth of the fund.

The following table sets out the defined contribution pension plan as at December 31, 2019 for the Named Executive Officers:

Name	Accumulated value at start of the year (\$)	Compensatory (\$) (Note 1)	Non-compensatory (\$) (Note 2)	Accumulated value at end of the year (\$)
W.G. Hammond Chairman & Chief Executive Officer	754,221	Nil	85,011	839,232
C.R. Huether CFO & Corporate Secretary	44,612	Nil	6,633	51,245

Note 1: No contribution was made to the "defined contribution pension plan" as each of the Named Executive Officers enrolled effective January 1, 2014 into "Individual Pension Plans", which are described below.

Note 2: These amounts reflect the increase (decrease) in the value of the investments (net of fees) and the earnings from the investments for the year ended December 31, 2019.

Supplemental Pension Benefits

Individual Pension Plan (IPP)

The Compensation Committee approved the introduction, effective January 1, 2014, of "Individual Pension Plans" (IPP) for the NEOs. The Corporation will make annual contributions to the two IPPs which are provincially-registered defined benefit pension plans. Pension benefits from the IPPs are payable up to the level permitted from a registered pension plan under the Income Tax Act. Retirement benefits are funded by HPS and vest immediately when participation begins. Funding is based on the salary level, age and years of service of the NEO. Under the terms of the IPP, an annual return of 7.5% is guaranteed. In any year, if the return falls below 7.5%, the Corporation is required to make an additional contribution to cover the shortfall in the following year. If the annual return exceeds the required 7.5%, the Corporation will reduce its contribution accordingly for the following year.

There is no mandatory retirement date in the IPP. If the NEO retires prior to age 65, the balance accumulated to the date of retirement will be transferred to the NEO.

The following table sets out the individual pension plan as at December 31, 2019 for the Named Executive Officers.

Name	Accumulated value at start of the year (\$)	Compensatory (\$) (Note 1)	Investment value increase(decrease) (Note 2)	Accumulated value at end of the year (\$)
W.G. Hammond Chairman & Chief Executive Officer	222,027	45,000	36,446	303,473
C.R. Huether CFO & Corporate Secretary	614,883	138,385	100,757	854,025

Note 1: These amounts represent the Corporation's annual contribution, based on a calculation reflecting the salary level, age and years of service of each NEO. In addition, C.R. Huether' account received a contribution for past service (\$93,185).

Note 2: These amounts represent the increase in the investment value (net of fees) for the year ended December 31, 2019. If the return falls below 7.5%, the Corporation is required to make an additional contribution to cover the shortfall in the following year. If the annual return exceeds the required 7.5%, the Corporation will reduce its contribution accordingly for the following year.

Retirement Compensation Arrangement (RCA) Pension Plan

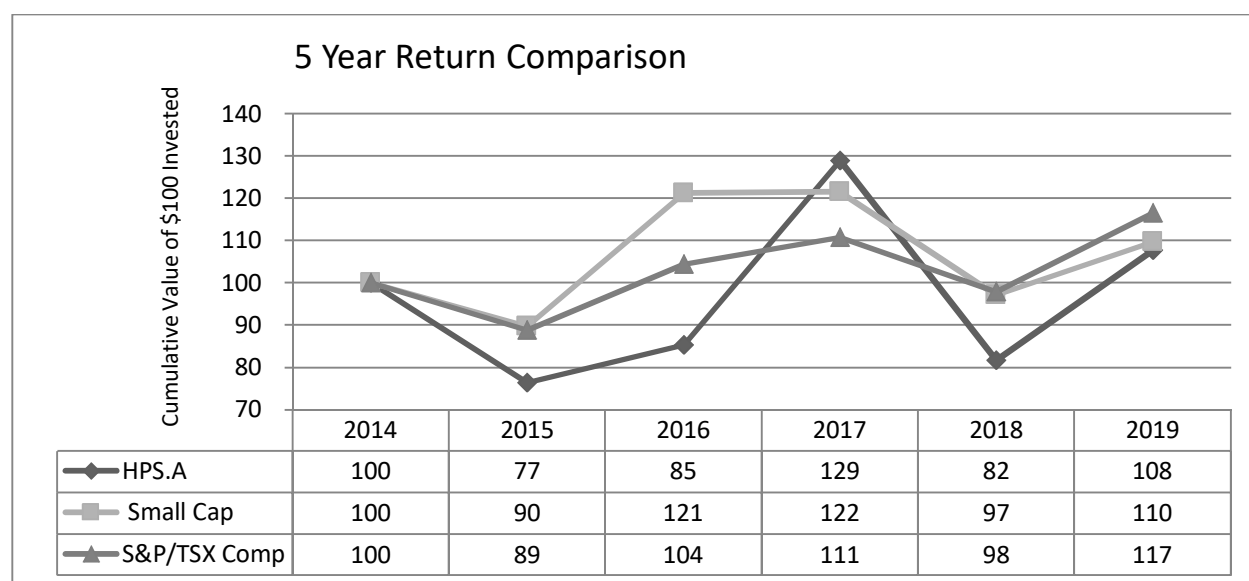
The Compensation Committee approved the introduction of a RCA (a retirement compensation arrangement) Pension Plan for W.G. Hammond to provide a supplemental pension benefit. This is a non-registered plan, which together with the other plans should provide a pension equal to approximately 20% of pre-retirement salary. In order to achieve this level of pension, the Corporation will contribute four equal annual payments to the plan from June 1, 2019 to January 1, 2022.

Name	Accumulated value at start of the year (\$)	Compensatory (\$) (Note 1)	Investment value increase(decrease)	Accumulated value at end of the year (\$)
W.G. Hammond Chairman & Chief Executive Officer	0	158,200	1,138	159,338

Note 1: This amount represents the Corporation's first of four annual contributions (net of taxes), based on a calculation reflecting the salary level, age, years of service and projected retirement date of W.G. Hammond.

Performance Graph

The following graph assumes that \$100 was invested from December 31, 2014 to December 31, 2019 in each of the Corporation's Class A Subordinate Voting Shares and the S&P/TSX Composite and Small Cap Indices.



As described above, executive compensation is based primarily on the Corporation's financial performance, rather than the performance of the Corporation's stock price, and as a result, the executive compensation may not compare to the trend shown by the graph above.

Management Contracts

The Corporation was not party to any management contracts for the year ended December 31, 2019, or as at the date hereof. There are no management functions of the Corporation which are to a substantial degree performed by a person or persons other than the Directors and Named Executive Officers.

Termination and Change of Control Benefits

There is no defined policy regarding termination and change of control benefits.

Director Compensation

Directors who are also employees of the Corporation do not receive any directors' fees. Independent Directors receive \$32,000 each per annum for services as a Director, \$1,800 attendance fee and \$1,200 teleconference fee for each single or multi-session meeting. In addition, the chair of the Audit Committee and the Lead Director receive \$10,000 each and the chairs of the Compensation and Corporate Governance Committees receive \$5,000 each. The total fee remuneration paid to the Directors in respect of services for 2019 was \$298,200 (in 2018, \$327,200 was paid).

The following table sets forth all compensation earned for the fiscal year ended December 31, 2019 by the Independent Directors:

Name	Fees earned (\$)	Share-based awards (\$) Note 1	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total compensation (\$)
Donald H. MacAdam	47,000	30,000	Nil	Nil	Nil	Nil	77,000
Douglas V. Baldwin Note 2	7,800	15,007	Nil	Nil	Nil	Nil	22,807
Grant C. Robinson	66,600	30,000	Nil	Nil	Nil	Nil	96,600
David F. FitzGibbon	57,600	30,000	Nil	Nil	Nil	Nil	87,600
Dahra Granovsky	36,600	38,000	Nil	Nil	Nil	Nil	74,600
Richard S. Waterman	48,400	30,000	Nil	Nil	Nil	Nil	78,400
Fred M. Jaques	34,200	46,000	Nil	Nil	Nil	Nil	80,200

Note 1: On February 22, 2019, the Compensation Committee granted 4,762 DSUs to the Directors (except to D.V. Baldwin – see Note 2 below) to be issued in quarterly instalments on March 1, June 1, September 1 and December 1. The market value of the Class A shares at the date of the grant was \$6.30. As permitted under the DSU Plan, Ms D Granovsky and Mr F Jaques elected to receive part (25% and 50% respectively) of their annual retainer fee in the form of DSUs. All DSUs vest immediately upon being credited to the participant's account.

Note 2: Douglas V. Baldwin did not stand for re-election at the Annual Meeting on May 15, 2019. Therefore, the fees earned and the attendance at meetings covers the period from January 1 to May 15, 2019 and he was awarded 2,381 DSUs.

Director Attendance

The following table summarizes the attendance of Directors at the 2019 fiscal Board of Directors meetings:

Director	Board Meetings Attended	Audit Committee Meetings Attended (Note 1)	Compensation Committee Meetings Attended (Note 1)	Governance Committee Meetings Attended
Donald H. MacAdam	6/7	4/4	1/1	4/5
Douglas V. Baldwin (Note - 2 above)	3/3	2/2	1/1	2/2
Grant C. Robinson	7/7	4/4	1/1	5/5
David F. FitzGibbon	7/7	4/4	1/1	5/5

Director	Board Meetings Attended	Audit Committee Meetings Attended (Note 1)	Compensation Committee Meetings Attended (Note 1)	Governance Committee Meetings Attended
Dahra Granovsky	7/7	4/4	1/1	5/5
William G. Hammond	7/7	4/4	1/1	5/5
Richard S. Waterman	6/7	3/4	1/1	4/5
Fred M. Jaques	6/7	4/4	1/1	4/5

Note 1: Upon the invitation of the Audit Committee and the Compensation Committee, William G. Hammond attended all or part of their meetings.

Incentive Plan Awards

Outstanding option-based and share-based awards

The following table sets out the awards outstanding at December 31, 2019 for members of the Board of Directors:

Name	Option-based awards				Share-based awards	
	Number of securities underlying unexercised options	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)	Number of shares or units of shares that have not yet vested (#)	Market or payout value of share-based awards not paid out or distributed (\$) Note 1
Donald H. MacAdam	10,000	\$10.00	March 14, 2020	Nil	Nil	90,571
	5,000	\$7.50	March 13, 2021	950		
Grant C. Robinson	10,000	\$10.00	March 14, 2020	Nil	Nil	90,571
	5,000	\$7.50	March 13, 2021	950		
	5,000	\$6.62	March 12, 2022	5,350		
	10,000	\$6.20	March 9, 2023	14,900		
David F. FitzGibbon	10,000	\$10.00	March 14, 2020	Nil	Nil	90,571
	5,000	\$7.50	March 13, 2021	950		
	5,000	\$6.62	March 12, 2022	5,350		
	10,000	\$6.20	March 9, 2023	14,900		
Dahra Granovsky	10,000	\$10.00	March 14, 2020	Nil	Nil	115,566
	5,000	\$7.50	March 13, 2021	950		
	5,000	\$6.62	March 12, 2022	5,350		
	10,000	\$6.20	March 9, 2023	14,900		
Richard S. Waterman	10,000	\$6.20	March 9, 2023	14,900	Nil	90,571
Fred M. Jaques	5,000	\$6.62	March 12, 2022	5,350	Nil	140,568
	10,000	\$6.20	March 9, 2023	14,900		

Note 1: On February 22, 2019, the Compensation Committee granted 4,762 DSUs to the Directors to be issued in quarterly instalments on March 1, June 1, September 1 and December 1. Under the DSU Plan, additional DSUs are credited quarterly to the Director's accounts representing the equivalent value in units of the dividends paid on the Class A shares, based on the market value of the shares at the end of the month in which the dividends are paid. All DSUs vest immediately upon being credited to the participant's account.

Value vested or earned during the year

No option-based awards were granted during the year to the Board of Directors.

INDEBTEDNESS OF DIRECTORS AND OFFICERS

No Director, proposed nominee for election as Director, executive officer or senior officer of the Corporation or any associate or its subsidiaries thereof is or has been indebted to the Corporation at any time during 2019.

DIRECTORS AND OFFICER'S LIABILITY INSURANCE

Under existing policies of insurance, the Corporation is entitled to be reimbursed for indemnity payments it is required or permitted to make to Directors and officers, which are in excess of \$50,000 deductible per occurrence, to a maximum of \$20,000,000 in each policy year. The Directors and officers of the Corporation are insured for losses arising from claims against them for certain of their acts, errors or omissions for which the Corporation does not indemnify them, to a maximum of \$20,000,000 in each policy year. As at the date hereof, all of the Directors and officers of the Corporation and its subsidiaries are included as insured parties under the policies. All premiums for the policies are paid by the Corporation. The annual premium paid for these policies in fiscal 2019 was \$53,370. The premiums for these policies are not allocated between the Directors and officers as separate groups.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLAN

The following table sets forth certain information as of December 31, 2019, with respect to compensation plans under which equity securities of the Corporation are authorized for issuance:

Plan Category	Number of securities to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options	Number of securities remaining for future issuance under equity compensation plan
Stock Option Plan approved by Shareholders	330,000	\$8.02	461,000

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Management is not aware of any material interest, direct or indirect, of informed persons in material transactions with the Corporation.

CORPORATE GOVERNANCE PRACTICES

The Board of Directors and senior management of the Corporation consider good corporate governance to be central to the effective operation of the Corporation. As part of the Corporation's commitment to effective corporate governance, the Board of Directors monitors changes in legal requirements and best practices.

Set out below is a description of certain corporate governance practices of the Corporation, as required by National Instrument 58-101 – *Disclosure of Corporate Governance Practices*.

BOARD OF DIRECTORS

A majority of the members of the Board of Directors are Independent Directors. There are currently six Independent Directors on the Board of Directors. An independent Director is defined as a director who has no direct or indirect material relationship with the Corporation, being a relationship which could be reasonably expected to interfere with the exercise of a Director's independent judgment. Mr. William G. Hammond is considered to be non-independent by virtue of his employment with the Corporation. The Board of Directors believes the extensive knowledge of Mr. Hammond of the Corporation's business and affairs is beneficial to the other Directors and his participation as Director contributes to the effectiveness of the Board of Directors. Messrs. MacAdam, Robinson, FitzGibbon, Waterman, Jaques, and Ms. Granovsky are considered to be Independent Directors. These determinations were made by the Board of Directors based upon an examination of the factual circumstances of each Director and consideration of any interests, business or relationships, which any Director may have with the Corporation.

The Independent Directors held seven scheduled meetings in 2019 and also meet informally from time to time at which the non-independent director and members of management are not in attendance. The Independent Directors are free to hold such meetings as deemed appropriate, and communicate with each other regularly on an informal basis and seek outside professional advice if deemed necessary.

The Chairman of the Board of Directors, Mr. Hammond, is not an Independent Director. The Corporation has endorsed the concept of a lead director and in 2015 Grant C. Robinson was appointed as the "Lead Director".

The role of Lead Director requires that he or she will have sufficient experience with corporate governance issues, will have total authority in the absence of the Chairman of the Board and ensures the independent directors meet routinely.

While Mr. Hammond acts both as the Corporation's Chief Executive Officer and as Chairman of the Board of Directors, the Board of Directors has concluded that adequate structures and processes are in place to permit it to function independently of management and that the knowledge, experience and qualifications of the independent directors are sufficient to ensure that the Board of Directors functions independently of management. The Chairman of the Board also assesses the effectiveness of the individual Board members.

The Board of Directors meets regularly without members of management present. In addition, Mr. Hammond's role is more heavily weighted towards activities traditionally associated with a non-executive Chairman assuming greater responsibility in day to day operations of the Corporation.

The Corporation and the Board of Directors recognize the significant commitments involved in being a member of the Board of Directors.

Director Term Limits

The Corporation has not adopted term limits or other mechanisms to force a director to be removed from the Board of Directors. The by-laws of the Corporation provide that directors will serve until the next annual general meeting of shareholders and if qualified can be nominated by the governance committee for re-election. Accordingly, the Board of Directors have determined that term limits or mandatory retirement based on age is not necessary. The Board of Directors believes that sustained leadership and intimate knowledge of the Corporation is an asset to the operations and the future of the Corporation. The Board of Directors also believe that an imposition of term limits is inflexible and could possibly result in experienced directors being forced to resign or being barred from standing for re-election based solely on tenure. The Board of Directors considers performance and contribution of individual directors on an ongoing basis.

Representation of Women

The Corporation has not adopted written policies relating to the identification and nomination of women to the Board of Directors. While committed to diversity, the Corporation is of the view that the identification and nomination of individuals to the Board of Directors should be made on the basis of the knowledge and experience of candidates.

The Corporation does not consider the level of representation of women on the Board of Directors in identifying and nominating candidates for election or re-election. The Corporation is aware and committed to diversity but is of the view that director identification and selection should focus on the knowledge and experience of candidates.

The Corporation does not consider the level of representation of women in executive officer positions when making executive officer appointments. The Corporation is of the view that executive officer appointments should be made on the basis of the knowledge and experience of candidates.

The Corporation has not adopted targets regarding the representation of women on the Board of Directors or in executive officer positions. The Corporation believes that targets are unnecessary and would detract from a focus on the knowledge and experience of candidates.

The Corporation has one woman on its Board of Directors, representing 14.3% of board membership and no women in executive officer positions, representing zero percent of all executive officers.

Lead Director

This role is performed by an independent director to provide leadership to the independent directors, liaise with CEO on behalf of the independent directors and advise the board on various matters. Grant C. Robinson serves the Board position of lead director.

Board Mandate

The Board of Directors is responsible for the overall stewardship of the Corporation. This responsibility is discharged by the Board of Directors through supervision of its officers and their management of the business and affairs of the Corporation and by:

- » Overseeing the Corporation's strategic planning process;
- » Recognizing the principal risks to the Corporation's business and ensuring that systems to monitor and manage those risks are implemented;
- » Managing and overseeing the Corporation's succession planning process, including the appointment, training and appraisal of senior officers of the Corporation;
- » Overseeing the Corporation's policy for communication with Shareholders, the investment community, the media, governments and the general public;
- » Overseeing the integrity of the Corporation's internal control and management information systems; and
- » Protecting interests of minority Shareholders.

Position Descriptions

The Board of Directors has charged management with the responsibility for the effective management of the Corporation within the strategic framework established by the Board of Directors with the principal objective of enhancing Shareholder value.

The Board of Directors has developed written position descriptions for the Board of Directors, committees, the Chair of each committee, the lead director, the chairman and for the Chief Executive Officer of the Corporation.

Board Committees

The Board of Directors has established three standing committees: the audit committee (the “**Audit Committee**”), the compensation committee (the “**Compensation Committee**”) and the corporate governance committee (the “**Corporate Governance Committee**”). Internal guidelines have been adapted by the Board of Directors which requires that committees of the Board of Directors be composed of Independent Directors, unless it deems the appointment of a non-independent director or officer to be in the best interest of the Corporation.

Compensation Committee

The Compensation Committee is currently composed of the Independent Directors, Messrs. MacAdam, Robinson, FitzGibbon, Waterman and Jaques and Ms. Granovsky.

The Compensation Committee is responsible for making recommendations to the Board of Directors on the annual salary, bonus, stock options and other benefits of the executive officers of the Corporation.

All the Compensation Committee members have considerable direct experience that is relevant to his or her responsibilities in executive compensation and enable the Compensation Committee to make decisions on the suitability of the Corporation's compensation policies.

The Compensation Committee approves the compensation levels for all the executive officers of the Corporation. The Compensation Committee is also responsible in general for reviewing the design and competitiveness of the Corporation's compensation, bonus, stock options and benefit programs.

The Compensation Committee manages the principal components of the executive compensation, salary and annual incentives, which are paid in cash. These components form a comprehensive strategy designed to achieve the following objectives:

- i. to attract and retain a highly qualified senior management by offering competitive salaries and,
- ii. to motivate performance by tying incentive compensation to the achievement of pre-determined goals.

The Compensation Committee is also responsible for assessing compensation for the Board of Directors and reviewing and making recommendations to the Board of Directors concerning the Corporation's policies in the area of management prerequisites and concerning the management succession process. The Compensation Committee ensures that the Corporation complies with regulatory requirements with respect to executive compensation in its public disclosure documents. The Compensation Committee's mandate also includes evaluating Directors' compensation in light of risks and responsibilities involved in being an effective director of the Corporation.

Audit Committee

The Audit Committee is currently composed of the Independent Directors, Messrs. MacAdam, Robinson, FitzGibbon, Waterman and Jaques and Ms. Granovsky. The Audit Committee was established to assist the Board of Directors in fulfilling its oversight responsibilities in the following principal areas: (1) accounting policies and practices, (2) the financial reporting process, (3) financial statements provided by the Corporation to the public, (4) risk management including systems of accounting and financial controls, (5) appointing, overseeing and evaluating the work and independence of the external auditors, and (6) compliance with applicable legal and regulatory requirements.

The Corporation's management is responsible for preparing the Corporation's financial statements while the external auditors are responsible for auditing those financial statements. The Audit Committee is responsible for overseeing the conduct of those activities by the Corporation's management and external auditors. The Corporation's external auditors are accountable to the Audit Committee as representatives of the Shareholders.

Corporate Governance Committee

The Corporate Governance Committee is currently composed of all Directors, Messrs. Hammond, MacAdam, Robinson, FitzGibbon, Waterman and Jaques and Ms. Granovsky, a majority of whom are independent Directors.

The Committee has general responsibility for identifying new candidates for Board of Directors nomination and for developing the approach of the Corporation to matters of corporate governance. The Corporate Governance Committee ensures that it has an objective nominations process by interviewing, reviewing and discussing potential Board of Directors candidates independently and collectively and ratifying the Corporate Governance Committee's nominations to the Board of Directors.

The Corporate Governance Committee is responsible for:

- » Reviewing annually the mandates of the Board of Directors and its committees;
- » Recommending procedures to permit the Board of Directors to function independently of management;
- » Assessing whether the Corporation has implemented appropriate systems of internal control and procedures to ensure compliance with legal, ethical and regulatory requirements and whether these systems are operating effectively;
- » Establishing selection criteria for Board of Directors membership;
- » Identify candidates for the Board of Directors;
- » Assessing the effectiveness of the Board of Directors as a whole, the committees of the Board of Directors and the contribution of individual directors, including considering the appropriate size of the Board of Directors; and
- » Administering and updating an orientation and education program for new Board of Directors members.

Assessment

The Corporate Governance Committee is responsible for assessing the effectiveness of the Board of Directors, its committees and individual Directors. Following an independent review, which was undertaken during 2014, the Board adopted an annual process to assess the effectiveness of the Board of Directors and Committees and to assess and review the directors individually on a scheduled rotating basis.

Orientation and Continuing Education

Responsibility for orientation programs for new Directors is assigned to the Chairman of the Board of Directors. The Corporate Governance Committee's duties include ensuring the adequacy of the orientation and education program for each new member.

Chairman

The Chairman reviews with each new member: (i) certain information and materials regarding the Corporation, including the role of the Board of Directors and its committees; and (ii) the legal obligations of a Director. The Chairman, on an ongoing basis, also reviews the professional development and experience of all Directors to ensure the Directors maintain the skill and knowledge necessary to meet their obligations as Directors. The Chairman educates the new Directors of the Corporation regarding the nature and operation of the Corporation's business through a series of formal meetings and review of operational information and business strategies.

Ethical Business Conduct

The Corporation has adopted a code of conduct, ethics and values (the "**Code**") ensuring a high standard of ethics, personal conduct, integrity and professionalism. The Code sets out in detail the core values and the principles by which the Corporation is governed and addresses topics such as: honesty, integrity, ethical behaviour, confidentiality, mutual respect, conduct and conflict of interest.

Management is responsible for communicating the Code to all officers and employees and keeping the Board of Directors informed about such compliance. The Code is communicated to Directors on an informal basis. The Code is available on the Corporation's intranet or in hard copy upon request. The Board of Directors and the Audit Committee perform ongoing reviews as to the compliance of the Code.

The Board of Directors and the Audit Committee have established a Whistleblower Policy to encourage employees, officers and Directors to bring forward any matters of concern. This policy has been distributed to all employees and is posted on the Corporation's intranet.

In order to ensure that the Directors exercise independent judgment in considering transactions and agreements, the Board of Directors has a standing policy that all members are required to declare any conflicts of interest with issues or situations as they arise. This would include transactions and agreements in which a Director or an officer has a material interest.

Disclosure Policy

The Disclosure Policy is reviewed by the Board of Directors and executive officers. The Corporation is committed to providing timely, accurate and balanced disclosure of all material information relating to the Corporation, consistent with legal and regulatory requirements. The mandate of the Disclosure Policy is to raise awareness of the Corporation's approach and commitment to disclosure among the Corporation's Directors, management and employees.

ADDITIONAL INFORMATION

Financial information is provided in the Corporation's comparative Consolidated Financial Statements and Management's Discussion and Analysis for its most recently completed financial year. This information and additional information relating to the Corporation may be found on SEDAR at www.sedar.com.

Shareholders may also e-mail the Corporation at ir@hammondpowersolutions.com or by contacting Mr. William G. Hammond, Chairman and Chief Executive Officer or Mr. Christopher R. Huether, Chief Financial Officer and Corporate Secretary at 519-822-2441 to request copies of the Corporation's financial statements and Management's Discussion and Analysis free of charge. The Corporation's website is www.hammondpowersolutions.com.

GENERAL

Unless otherwise specified, information contained herein is given as of March 27, 2020. The management knows of no matters to come before the Annual Meeting other than the matters referred to in the Notice of the Annual Meeting. If any matters which are not now known should properly come before the Annual Meeting, the accompanying proxy instrument will be voted on such matters in accordance with the best judgement of the person voting it.

The contents and the sending of this Management Information Circular have been approved by the Board of Directors.

DATED this 25th day of March, 2020



Christopher R. Huether
Corporate Secretary & Chief Financial Officer