



**CORBY SPIRIT AND WINE LIMITED**

*A leading Canadian Manufacturer and Marketer of Spirits  
and Manufacturer, Marketer and Importer of Wines since 1859*

**2018**

**ANNUAL INFORMATION FORM**

(for the year ended June 30, 2018)

September 24, 2018

Affiliated with  Pernod Ricard

# CORBY SPIRIT AND WINE LIMITED

## Annual Information Form

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## FORWARD-LOOKING STATEMENTS

*Unless otherwise identified, all amounts in this Annual Information Form are in Canadian dollars and, unless otherwise noted, all information is given as at June 30, 2018.*

*This Annual Information Form contains forward-looking statements, including statements concerning possible or assumed future results of operations of Corby Spirit and Wine Limited, including the statements under the headings “Risks & Risk Management”, “Acquisition of the Spirits Assets of Domaines Pinnacle Inc.” and “Acquisition of the Foreign Affair Winery”. Forward-looking statements typically are preceded by, followed by or include the words “believes”, “expects”, “anticipates”, “estimates”, “intends”, “plans” or similar expressions as they relate to Corby Spirit and Wine Limited. Forward-looking statements are not guarantees of future performance, they involve risks and uncertainties, including, but not limited to: the impact of competition, the impact, and successful integration of acquisitions; business interruption; trademark infringement; consumer confidence and spending preferences; regulatory changes; general economic conditions and Corby Spirit and Wine Limited's ability to attract and retain qualified employees and, as such, Corby Spirit and Wine Limited's results could differ materially from those anticipated in these forward-looking statements. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. These factors are not intended to represent a complete list of the factors that could affect Corby Spirit and Wine Limited and other factors could also affect Corby Spirit and Wine Limited's results. For more information, please see the “Risks & Risk Management” section of this Annual Information Form. Additional factors are noted elsewhere in this Annual Information Form and in the documents incorporated by reference into this Annual Information Form.*

*This document has been reviewed by the Board of Directors of Corby Spirit and Wine Limited and contains certain information that is current as of September 24, 2018. Events occurring after that date could render the information contained herein inaccurate or misleading in a material respect, and any forward-looking statements should not be relied upon as representing the view of Corby Spirit and Wine Limited as of any date subsequent to September 24, 2018. Corby Spirit and Wine Limited may, but is not obligated to, provide updates to forward-looking statements, including in subsequent news releases and its interim management's discussion and analyses filed with regulatory authorities. Additional information regarding Corby Spirit and Wine Limited is available on SEDAR at [www.sedar.com](http://www.sedar.com).*

## II. CORPORATE STRUCTURE

### A. Name, Address and Incorporation

Corby Spirit and Wine Limited and its subsidiaries are collectively referred to herein as “Corby” or the “Corporation”. All of Corby's subsidiaries are wholly-owned.

The Corporation was formed under the federal laws of Canada by way of Letters Patent dated September 30, 1924, under the name of Canadian Industrial Alcohol Company Limited. The Corporation was continued under the *Canada Business Corporations Act* on January 23, 1979.

The Corporation filed articles of amendment on November 7, 2013 to change its name from Corby Distilleries Limited to Corby Spirit and Wine Limited, in order to better reflect its business activities and values, yet continue to acknowledge its rich heritage.

Corby's Voting Class A Common Shares and Non-Voting Class B Common Shares have been listed on the Toronto Stock Exchange (“TSX”) since February 3, 1969.

Corby's registered and principal office is located at 225 King Street West, Suite 1100, Toronto, Ontario M5V 3M2.

## B. Intercorporate Relationships

The following list outlines, as of September 24, 2018, each of Corby's subsidiaries. Unless otherwise indicated, each subsidiary is owned 100%, either directly or indirectly, by Corby.

Name	Governing Jurisdiction
Alfred Lamb International Limited	United Kingdom
Corby Coolers Limited	Canada
J.P. Wiser Distillery Limited	Canada
Meaghers Distillery Limited	Canada
The Foreign Affair Winery Limited	Canada
Ungava Spirits Co. Ltd.	Canada
Vinnova Corporation	Ontario

## III. GENERAL DEVELOPMENT OF THE BUSINESS

Corby markets a full range of domestically produced and imported spirits and wines, including J.P. Wiser's®, Lot No. 40®, Pike Creek® and Gooderham & Worts® Canadian whiskies, Lamb's® rum, Polar Ice® vodka, McGuinness® liqueurs, Ungava® gin, Chic Choc® Spiced rum, Cabot Trail® maple cream liqueur (Coureur des Bois® in Quebec), and Foreign Affair® wine brands, including Temptress, Enchanted, Amarosé and The Conspiracy, as well as leading international brands such as Absolut® vodka, Chivas Regal®, The Glenlivet® and Ballantine's® Scotch whiskies, Jameson® Irish whiskey, Beefeater® gin, Malibu® rum, Kahlúa® liqueur, Mumm® champagne, and Jacob's Creek®, Wyndham Estate®, Stoneleigh®, Campo Viejo®, Graffigna® and Kenwood® wines.

### A. Three-Year History

On September 29, 2006, Corby completed a transaction with Pernod Ricard S.A. ("Pernod Ricard" or "PR") which, amongst other things, provided the Corporation the exclusive right to represent PR's brands in the Canadian market for 15 years. Commission revenue earned from the representation of PR's brands in Canada is presented in the consolidated statement of earnings as part of "Revenue". On August 26, 2015, Corby entered into an agreement with PR and certain affiliates amending the September 29, 2006 Canadian representation agreements, pursuant to which Corby agreed to provide more specialized marketing, advertising and promotion services for the PR and affiliate brands under the applicable agreements in exchange for an increase to the rate of commission payable by such entities.

The following table provides a summary of certain selected consolidated financial information for the Corporation for the past three financial years. This information has been prepared in accordance with IFRS:

<i>(in millions of Canadian dollars, except per share amounts)</i>	<b>2018</b>	2017	2016
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Revenue</b>	<b>146.6</b>	143.9	140.0
Earnings from operations	<b>34.9</b>	35.0	34.6
- Earnings from operations per common share	<b>1.23</b>	1.23	1.22
<b>Net earnings</b>	<b>25.7</b>	25.6	25.4
- Basic earnings per share	<b>0.90</b>	0.90	0.89
- Diluted earnings per share	<b>0.90</b>	0.90	0.89
<b>Total assets</b>	<b>230.0</b>	227.8	228.5
<b>Total liabilities</b>	<b>45.3</b>	50.5	57.7
<b>Regular dividends paid per share</b>	<b>0.87</b>	0.82	0.76
<b>Special dividends paid per share</b>	<b>-</b>	-	0.62

**(i) Agreements to Represent Pernod Ricard Brands in Canada**

On September 29, 2013, Corby entered into an agreement with The Absolut Company Aktiebolag (“The Absolut Company”) an affiliate of Pernod Ricard S.A. (“Pernod Ricard” or “PR”), and owner of the Absolut vodka brand, extending Corby’s exclusive right to represent the Absolut vodka brand in Canada, for an eight-year period ending September 29, 2021, which is consistent with the term of Corby’s Canadian representation of the other PR brands in Corby’s portfolio. Under the agreement, Corby paid \$10.3 million to The Absolut Company for the additional eight years of the new term to PR at its commencement. The Absolut Company and Corby entered into the agreement to satisfy the parties’ obligations with respect to representation of the Absolut vodka brand set out in the November 9, 2011 agreement between Corby and PR (the “2011 Agreement”), as agreed by letter agreement between the parties to the 2011 Agreement.

As part of the 2011 Agreement, with respect to the “Plymouth” gin brand, Chivas Holdings (IP) Ltd. (“Chivas”), another PR affiliate and the current owner of that brand, acknowledged the application of the Canadian Representation Agreement dated September 29, 2006 between Corby (by assignment), PR and certain affiliate brand owners of PR, to the brand and its continued representation with a term consistent with the term of Canadian representation for the other PR brands in Corby’s portfolio

On September 29, 2006, Corby completed a transaction with PR which, amongst other things, provided the Corporation the exclusive right to represent PR’s brands in the Canadian market for 15 years. Commission revenue earned from the representation of PR’s brands in Canada is presented in the consolidated statement of earnings as part of “Revenue”. On August 26, 2015, Corby entered into an agreement with PR and certain affiliates amending the September 29, 2006 Canadian representation agreements, pursuant to which Corby agreed to provide more specialized marketing, advertising and promotion services for the PR and affiliate brands under the applicable agreements in exchange for an increase to the rate of commission payable by such entities.

Since the agreements with PR and certain affiliates are related party transactions, the agreements were

approved by the Independent Committee of the Corby Board of Directors, in accordance with Corby's related party transaction policy, following extensive financial and legal review.

**(ii) Extension of Production and Administrative Services Agreements with Pernod Ricard**

On November 11, 2015, Corby and PR entered into a distillate supply agreement and a co-pack agreement for the continued production and bottling of Corby's owned-brands by Pernod Ricard at the HWSL production facility in Windsor, Ontario, for a 10-year term commencing September 30, 2016. On the same date, Corby and PR entered into an administrative services agreement, under which Corby will continue to manage PR's business interests in Canada, including the Hiram Walker & Sons Limited ("HWSL") production facility, with a similar term and commencement date.

Since the agreement with PR and certain affiliates is a related party transaction, the agreement was approved by the Independent Committee of the Corby Board of Directors, following an extensive financial and legal review.

**(iii) United Kingdom Representation Agreement with Pernod Ricard UK Limited – Lamb's rum**

In the year ended June 30, 2016, Corby transitioned its agreements regarding representation of Lamb's rum in the United Kingdom. On March 21, 2016, Corby entered into an agreement with Pernod Ricard UK Limited ("PRUK"), an affiliated company, which provides PRUK the exclusive right to represent Lamb's rum in Great Britain, effective July 1, 2016. Previously, Lamb's rum was represented by an unrelated third party in this market. The agreement provides Lamb's with access to PRUK's extensive national distribution network throughout Great Britain. The agreement is effective for a five-year period ending June 30, 2021.

Since the agreement with PRUK is a related party transaction, the agreement was approved by the Independent Committee of the Corby Board of Directors, following a thorough review, in accordance with Corby's related party transaction policy.

**(iv) Acquisition of the Spirits Assets of Domaines Pinnacle Inc.**

On September 30, 2016, Corby acquired the spirits assets of Domaines Pinnacle Inc. ("Domaines Pinnacle") for a purchase price of \$12 million, funded from Corby's deposits in cash management pools. The transaction included Domaine Pinnacle's spirits portfolio, including Ungava® Premium Canadian gin, Chic Choc® Spiced rum and Cabot Trail® maple cream liqueur (Coureur des Bois®, in Quebec) (collectively, the "Ungava Spirits Brands"), as well as production assets and related inventory. The brand portfolio and other assets acquired are operated by Ungava Spirits Co. Ltd. ("Ungava Spirits"), a wholly-owned subsidiary of Corby based in Cowansville, Quebec.

**(v) Acquisition of the shares, winery and assets of the Foreign Affair Winery**

On October 2, 2017 Corby acquired all of the shares of Vinnova Corporation and substantially all of the assets of the Crispino Estate Vineyard partnership, which together operated as the Foreign Affair Winery ("Foreign Affair"), a Niagara, Ontario based wine producer for a purchase price of \$6.4 million. The purchase price was funded from Corby's deposits in cash management pools. The transaction resulted in Corby's ownership, through a wholly-owned subsidiary, of the Foreign Affair Brands (Foreign Affair's portfolio of premium award-winning Ontario red, white and rosé wines, including Tempress, Enchanted, Amarosé and The Conspiracy brands), as well as related production assets and inventory.

#### **(vi) New US Distribution Agreements**

Corby entered into an agreement providing 375 Park Avenue Spirits (a dba of Luctor International, LLC ("375 Park Avenue Spirits")) the exclusive right to represent J.P. Wiser's Canadian whisky and Lamb's rum in the USA effective as of July 1, 2018 for a five-year period to June 30, 2023, subject to extension as provided for under the agreement.

In addition, Corby entered into an agreement providing Hotaling & Co. ("Hotaling") the exclusive right to represent Corby's Northern Border Collection of Canadian whiskies (the "Northern Border Collection"), consisting of Lot No. 40®, Pike Creek®, and Gooderham & Worts®, and Ungava gin in the US effective as of July 1, 2018 for a five-year period to June 30, 2023.

Finally, effective July 1, 2018, Polar Ice vodka will be imported under an agreement with MHW, Ltd. ("MHW"). This agreement is for a term of one year, subject to extension as provided for under the agreement.

### **IV. DESCRIPTION OF THE BUSINESS**

#### **A. General**

Corby is a leading Canadian manufacturer and marketer of spirits and manufacturer, marketer and importer of wines. Corby's national leadership is sustained by a diverse brand portfolio which allows the Corporation to drive profitable organic growth with strong, consistent cash flows.

Corby owns or represents seven of the 25 top-selling spirits brands in Canada, and 11 of the top 50, as measured by case volumes. Corby's portfolio of owned-brands includes some of the most renowned brands in Canada, including J.P. Wiser's®, Lot No. 40®, Pike Creek® and Gooderham & Worts® Canadian whiskies, Lamb's® rum, Polar Ice® vodka, and McGuinness® liqueurs, in addition to, the recently acquired Ungava® gin, Chic Choc® Spiced rum, Cabot Trail® maple cream liqueur (Coureur des Bois®, in Quebec) (being, the "Ungava Spirits Brands") and Foreign Affair® wine brands, including Temptress, Enchanted, Amaro'sé and The Conspiracy brands,. Through its affiliation with PR, Corby also represents leading international brands such as Absolut® vodka, Chivas Regal®, The Glenlivet® and Ballantine's® Scotch whiskies, Jameson® Irish whiskey, Beefeater® gin, Malibu® rum, Kahlúa® liqueur, Mumm® champagne, and Jacob's Creek®, Wyndham Estate®, Stoneleigh®, Campo Viejo®, Graffigna® and Kenwood® wines. In addition to representing PR's brands in Canada, Corby also provides representation for certain selected, unrelated third-party brands ("Agency brands") when they fit within the Corporation's strategic direction and, thus, complement Corby's existing brand portfolio.

The Corporation's activities are comprised of the distribution of owned and represented spirits, liqueurs and imported wines. More specifically, 80% of Corby's revenue is derived from sales of the Corporation's owned spirit brands, while commissions earned from the sale of represented brands totaled 18% in 2018. The Corporation also supplements these primary sources of revenue with other ancillary activities incidental to its core business, such as logistics fees and miscellaneous bulk whisky sales to rebalance its maturation inventories.

Corby's business consists predominantly of sales within Canada, which represent 92% of the Corporation's revenue. Sales in Canada are made to each of the provincial liquor boards. In fiscal 2018, sales to the three largest provincial liquor boards accounted for 34%, 15% and 13%, respectively, of revenue of the Corporation (fiscal 2017 - 44%, 17% and 14%, respectively).

The Corporation's sales to customers outside of Canada for each of the years ended 2018 and 2017 represented approximately 8% and 7% of revenue, respectively. These sales mainly consisted of shipments of key brands, such as J.P. Wiser's Canadian whisky and Polar Ice vodka into the United States and select countries in Western Europe, and the sale of Lamb's rum in the United Kingdom and other international markets.

Corby's operations are subject to seasonal fluctuations, as sales are typically strong in the first and second quarters due to increased purchases by consumers during the summer and the retail holiday season, while third-quarter sales (January, February and March) usually decline after the end of the retail



holiday season. Fourth quarter sales typically increase again with the onset of warmer weather as consumers tend to increase their purchasing levels during the summer season.

The Corporation sources more than 90% of its spirits production requirements from HWSL at its production facility in Windsor, Ontario. For more information about this arrangement, please see the “Related Party Transactions” section of this AIF. Ungava Spirits produces the Ungava Spirits Brands and operates the Cowansville, Quebec production facility acquired on September 30, 2016. The Foreign Affair Winery Limited produces the Foreign Affair Brands and operates the winery and vineyard based in Ontario’s Niagara region, acquired on October 2, 2017. The Company’s remaining production requirements have been outsourced to various third party vendors including a third-party manufacturer in the United Kingdom (“UK”). The UK site blends and bottles Lamb’s products destined for sale in countries located outside North America.

## **B. Related Party Transactions**

HWSL, an indirectly wholly-owned subsidiary of Pernod Ricard, owns in excess of 50% of the issued and outstanding Voting Class A Common Shares of Corby and is thereby considered to be the Corporation’s parent. Pernod Ricard is considered to be Corby’s ultimate parent and affiliated companies are those that are also subsidiaries of Pernod Ricard.

Corby engages in a significant number of transactions with its parent company, its ultimate parent and various affiliates. Specifically, Corby renders services to its parent company, its ultimate parent, and affiliates for the marketing and sale of beverage alcohol products in Canada. Furthermore, Corby outsources the large majority of its distilling, maturing, storing, blending, bottling and related production activities to its parent company. A significant portion of Corby’s bookkeeping, recordkeeping services, data processing and other administrative services are also outsourced to its parent company. All of these transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Transactions with the parent company, ultimate parent and affiliates are subject to Corby’s related party transaction policy, which requires such transactions to undergo an extensive review and receive approval from an Independent Committee of the Board of Directors.

The companies operate under the terms of agreements that became effective on September 29, 2006. These agreements provide the Corporation with the exclusive right to represent PR’s brands in the Canadian market for fifteen years, as well as providing for the continuing production of certain Corby brands by PR at its production facility in Windsor, Ontario, for ten years. Corby also manages PR’s business interests in Canada, including the Windsor production facility. Certain officers of Corby have been appointed as directors and officers of PR’s North American entities, as approved by Corby’s Board of Directors.

On August 26, 2015, Corby entered into an agreement with PR and certain affiliates amending the September 29, 2006 Canadian representation agreements, whereby Corby would provide more specialized marketing, advertising and promotion services for the PR and affiliate brands under the applicable agreements in exchange for an increase to the rate of commission payable by such entities. Furthermore, on November 11, 2015 Corby and PR entered into agreements for the continued production and provision of administrative services for a further ten-year term.

Corby also signed an agreement on September 26, 2008, with its ultimate parent to be the exclusive Canadian representative for the Absolut vodka and Plymouth gin brands, for a five-year term expiring September 30, 2013 and was extended as noted below. These brands were acquired by PR subsequent to the original representation rights agreement dated September 29, 2006.

Further, on November 9, 2011, Corby entered into an agreement with a PR affiliate for a new term for Corby’s exclusive right to represent Absolut vodka in Canada from September 30, 2013 to September 29, 2021, which is consistent with the term of Corby’s Canadian representation of the other PR brands in Corby’s portfolio. On September 30, 2013, Corby paid the present value of \$10 million, or \$10.3 million, for the additional eight years of the new term pursuant to an agreement entered into between Corby and The Absolut Company Aktiebolag, an affiliate of PR and owner of the Absolut brand, to satisfy the parties’ obligations under the 2011 agreement. Since the agreement is a related party transaction, the agreement was approved by the Independent Committee of the Corby Board of Directors, in accordance with Corby’s related party transaction policy, following an extensive review and with external financial and legal advice.



Pursuant to the November 9, 2011 agreement, Corby also agreed to continue with the mirror netting arrangement with PR and its affiliates, under which Corby's excess cash will continue to be deposited to cash management pools. The mirror netting arrangement with PR and its affiliates is further described below.

All of the Corporation's banking and cash management needs are addressed by Citibank N.A. (effective July 17, 2014) and, under this arrangement, Corby participates in the Mirror Netting Service Agreement with Pernod Ricard and its affiliates. The Mirror Netting Service Agreement acts to aggregate each participant's net cash balance on a nightly basis for purposes of interest calculation. Corby earns interest income, which is settled on a monthly basis, from Pernod Ricard at market rates on its cash balances held at its financial institution.

On March 21, 2016, the Corporation entered into an agreement with PRUK, an affiliated company, which provides PRUK the exclusive right to represent Lamb's rum in Great Britain, effective July 1, 2016. Previously, Lamb's rum was represented by an unrelated third party in this market. The agreement is effective for a five-year period ending June 30, 2021. The agreement with PRUK is a related party transaction between Corby and PRUK, as such each agreement was approved by the Independent Committee of the Board of Directors of Corby following an extensive review, in accordance with Corby's related party transaction policy.

## **C. Risks & Risk Management**

The Corporation is exposed to a number of risks in the normal course of its business that have the potential to affect its operating and financial performance

### **1. Industry and Regulatory**

The beverage alcohol industry in Canada is subject to government policy, extensive regulatory requirements and significant rates of taxation at both the federal and provincial levels. As a result, changes in the government policy, regulatory and/or taxation environments within the beverage alcohol industry may affect Corby's business operations, causing changes in market dynamics or changes in consumer consumption patterns. In addition, the Corporation's provincial liquor board customers have the ability to mandate changes that can lead to increased costs, as well as other factors that may impact financial results. As the Corporation becomes more reliant on international product sales in the US, UK and other countries, exposure to changes in the laws and regulations (including on matters such as regulatory requirements, import duties and taxation) in those countries could also adversely affect the operations, financial performance or reputation of the Corporation.

The Corporation continuously monitors the potential risk associated with any proposed changes to its government policy, regulatory and taxation environments, and, as an industry leader, actively participates in trade association discussions relating to new developments.

### **2. Consumer Consumption Patterns**

Beverage alcohol companies are susceptible to risks relating to changes in consumer consumption patterns. Consumer consumption patterns are affected by many external influences, not the least of which is economic outlook and overall consumer confidence in the stability of the economy as a whole. Additionally, the proposed legalization of recreational cannabis in Canada could have the potential to impact consumer consumption patterns with respect to beverage alcohol products. Corby offers a diverse portfolio of products across all major spirits categories and at various price points. Corby continues to identify and offer new innovations in order to address consumer desires.

### **3. Distribution/Supply Chain Interruption**

The Corporation is susceptible to risks relating to distributor and supply chain interruptions. Distribution in Canada is largely accomplished through the government-owned provincial liquor boards and, therefore, an interruption (e.g., a labour strike) for any length of time or a change in business model may have a significant impact on the Corporation's ability to sell its products in a particular province and/or market. International sales are subject to the variations in distribution systems within each country where the products are sold.

Supply chain interruptions, including a manufacturing or inventory disruption, could impact product quality and availability. The Corporation adheres to a comprehensive suite of quality programmes and proactively manages production and supply chains to mitigate any potential risk to consumer safety or Corby's reputation and profitability.

Inherent to producing maturing products there is a potential for shortages or surpluses in future years if demand and supply are materially different from long-term forecasts. Additionally, the loss through contamination, fire or other natural disaster of the stock of maturing products may result in significant reduction in supply and as a result, Corby may not be able to meet customer demands. The Corporation monitors category trends and regularly reviews maturing inventory levels.

#### **4. Environmental Compliance**

Environmental liabilities may potentially arise when companies are in the business of manufacturing products and, thus, required to handle potentially hazardous materials. As Corby largely outsources its production, including all of its storage and handling of maturing alcohol, the risk of environmental liabilities is considered minimal. Corby currently has no significant recorded or unrecorded environmental liabilities.

#### **5. Industry Consolidation**

In recent years, the global beverage alcohol industry has continued to experience consolidation. Industry consolidation can have varying degrees of impact and, in some cases, may even create exceptional opportunities. Either way, management believes that the Corporation is well positioned to deal with this or other changes to the competitive landscape in Canada and other markets in which it carries on business.

#### **6. Corby's ability to properly complete acquisitions and subsequently integrate them may affect its results**

Corby monitors growth opportunities that may present themselves to Corby, including by way of acquisitions. While we believe that an acquisition may create the opportunity to realize certain benefits, achieving these benefits will depend in part on successfully consolidating functions and integrating operations, procedures and personnel in an efficient manner, as well as our ability to realize any anticipated growth opportunities or costs-savings from combining the target's assets and operations with our existing brands and operations. Integration efforts following any acquisition (including the recent acquisitions of the Ungava Spirits Brands and Foreign Affair Winery) may require the dedication of substantial management effort, time and resources which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. In addition, Corby may be required to assume greater than expected liabilities due to liabilities that are undisclosed at the time of completion of an acquisition. A failure to realize, in whole or in part, the anticipated benefits of an acquisition may have a negative impact on the results or financial position of Corby.

#### **7. Competition**

The Canadian and international beverage alcohol industry is extremely competitive. Competitors may take actions to establish and sustain a competitive advantage through advertising and promotion and pricing strategies in an effort to maintain market share, which may negatively affect our sales, revenues and profitability. Corby constantly monitors the market and adjusts its own advertising, promotion and pricing strategies as appropriate. Competitors may also affect Corby's ability to attract and retain high-quality employees. The Corporation's long heritage attests to Corby's strong foundation and successful execution of its strategies. Its role as a leading Canadian beverage alcohol company helps facilitate recruitment efforts.

## **8. Credit Risk**

Credit risk arises from deposits in cash management pools held with Pernod Ricard via Corby's participation in the Mirror Netting Service Agreement (as previously described in the "Related Party Transactions" section of this AIF), as well as credit exposure to customers, including outstanding accounts receivable. The maximum exposure to credit risk is equal to the carrying value of the Corporation's financial assets. The objective of managing counter-party credit risk is to prevent losses in financial assets. The Corporation assesses the credit quality of its counter-parties, taking into account their financial position, past experience and other factors. As the large majority of Corby's accounts receivable balances are collectable from government-controlled liquor boards, management believes the Corporation's credit risk relating to accounts receivable is at an acceptably low level.

## **9. Exposure to Interest Rate Fluctuations**

The Corporation does not have any short- or long-term debt facilities. Interest rate risk exists, as Corby earns market rates of interest on its deposits in cash management pools. An active risk management program does not exist, as management believes that changes in interest rates would not have a material impact on Corby's financial position over the long term.

## **10. Exposure to Commodity Price Fluctuations**

Commodity risk exists, as the manufacture of Corby's products requires the procurement of several known commodities, such as grains, sugar and natural gas. The Corporation strives to partially mitigate this risk through the use of longer-term procurement contracts where possible. In addition, subject to competitive conditions, the Corporation may pass on commodity price changes to consumers through pricing over the long term.

## **11. Foreign Currency Exchange Risk**

The Corporation has exposure to foreign currency risk, as it conducts business in multiple foreign currencies; however, its exposure is primarily limited to the US dollar ("USD") and UK pound sterling ("GBP"). Corby does not utilize derivative instruments to manage this risk. Subject to competitive conditions, changes in foreign currency rates may be passed on to consumers through pricing over the long term.

### USD Exposure

The Corporation's demand for USD has traditionally outpaced its supply, due to USD sourcing of production inputs and advertising and promotion expenses exceeding that of the Corporation's USD sales. Therefore, decreases in the value of the Canadian dollar ("CAD") relative to the USD will have an unfavourable impact on the Corporation's earnings.

### GBP Exposure

The Corporation's exposure to fluctuations in the value of the GBP relative to the CAD was reduced as both sales and cost of production are denominated in GBP. While Corby's exposure has been minimized, increases in the value of the CAD relative to the GBP will have an unfavourable impact on the Corporation's earnings.

## **12. Third-Party Service Providers**

HWSL, which Corby manages on behalf of PR, provides more than 90% of the Corporation's production requirements, among other services including administration and information technology. However, the Corporation is reliant upon certain third-party service providers in respect of certain of its operations. It is possible that negative events affecting these third-party service providers could, in turn, negatively impact the Corporation. While Corby has no direct control over how such third parties are managed, it has entered into contractual arrangements to formalize these relationships. In order to minimize operating risks, the Corporation actively monitors and manages its relationships with its third-party service providers.

### 13. Brand Reputation and Trademark Protection

The Corporation promotes nationally branded, non-proprietary products as well as proprietary products. Damage to the reputation of any of these brands, or to the reputation of any supplier or manufacturer of these brands, could negatively impact consumer opinion of the Corporation or the related products, which could have an adverse impact on the financial performance of the Corporation. The Corporation strives to mitigate such risks by selecting only those products from suppliers that strategically complement Corby's existing brand portfolio and by actively monitoring brand advertising and promotion activities. Additionally, although the Corporation registers trademarks, as applicable, it cannot be certain that trademark registrations will be issued with respect to all of the Corporation's applications. Also while Corby constantly watches for and responds to competitive threats, as necessary, the Corporation cannot predict challenges to, or prevent a competitor from challenging the validity of any existing or future trademark issued or licensed to Corby.

### 14. Information Technology and Cyber Security

The Corporation uses technology supplied by third parties, both related and non-related, to support operations and invests in information technology to improve route to market, reporting, analysis, and marketing initiatives. Issues with availability, reliability and security of systems and technology could adversely impact the Corporation's ability to compete resulting in corruption or loss of data, regulatory related issues, litigation or brand reputation damage. With the fast-paced changing nature of the technology environment including digital marketing the Corporation works with these third parties to maintain policies, processes and procedures to help secure and protect these information systems as well as consumer, corporate and employee data.

### 15. Valuation of Goodwill and Intangible Assets

Goodwill and intangible assets account for a significant amount of the Corporation's total assets. Goodwill and intangible assets are subject to impairment tests that involve the determination of fair value. Inherent in such fair value determinations are certain judgments and estimates including, but not limited to, projected future sales, earnings and capital investment; discount rates; and terminal growth rates. These judgments and estimates may change in the future due to uncertain competitive market and general economic conditions, or as the Corporation makes changes in its business strategies. Given the current state of the economy, certain of the aforementioned factors affecting the determination of fair value may be impacted and, as a result, the Corporation's financial results may be adversely affected.

The following table summarizes Corby's goodwill and intangible assets and details the amounts associated with each brand (or basket of brands) and market as at June 30, 2018:

Associated Brand	Associated Market	Carrying Values as at June 30, 2018		
		Goodwill	Intangibles	Total
Various PR brands	Canada	\$ -	\$ 18.8	\$ 18.8
Lamb's rum	United Kingdom <sup>(1)</sup>	1.4	11.8	13.2
Ungava brands <sup>(2)</sup>	Canada	5.1	3.2	8.3
Foreign Affair Winery brands	Canada	0.4	2.5	
Other domestic brands	Canada	1.9	-	1.9
		\$ 8.8	\$ 36.3	\$ 42.2

<sup>(1)</sup> The international business for Lamb's rum is primarily focused in the UK, however, the trademarks and licences purchased relate to all international markets outside of Canada, as Corby previously owned the Canadian rights.

<sup>(2)</sup> The Ungava brands include trademarks related to Ungava Premium Canadian Gin, Chic Choc Spiced Rum and Cabot Trail maple-based liqueurs.

Therefore, economic factors (such as consumer consumption patterns) specific to these brands and markets are primary drivers of the risk associated with their respective goodwill and intangible assets valuations.

## **16. Employee Future Benefits**

The Corporation has certain obligations under its registered and non-registered defined benefit pension plans and other post-retirement benefit plans. There is no assurance that the Corporation's benefit plans will be able to earn the assumed rate of return. New regulations and market-driven changes may result in changes in the discount rates and other variables, which would result in the Corporation being required to make contributions in the future that differ significantly from estimates. An extended period of depressed capital markets and low interest rates could require the Corporation to make contributions to these plans in excess of those currently contemplated, which, in turn, could have an adverse impact on the financial performance of the Corporation. Somewhat mitigating the impact of a potential market decline is the fact that the Corporation monitors its pension plan assets closely and follows strict guidelines to ensure that pension fund investment portfolios are diversified in-line with industry best practices. For further details related to Corby's defined benefit pension plans, please refer to Note 10 of the audited consolidated financial statements for the year ended June 30, 2018.

### **D. Outlook**

Corby's business strategies are designed to maximize sustainable long-term value growth, and thus deliver solid profit while continuing to produce strong and consistent cash flows from operating activities. The Corporation's portfolio of owned and represented brands provides an excellent platform from which to achieve its current and long-term objectives.

Management believes that having a focused brand prioritization strategy will permit Corby to capture market share in the segments and markets that are expected to deliver the most growth in value over the long-term. Therefore, the Corporation's strategy is to focus its investments on, and leverage the long-term growth potential of, its key brands. As a result, Corby will continue to invest behind its brands to promote its premium offerings where it makes the most sense and drives the most value for shareholders.

Brand prioritization requires an evaluation of each brand's potential to deliver upon this strategy and facilitates Corby's marketing and sales teams' focus and resource allocation. Over the long-term, management believes that effective execution of its strategy will result in value creation for Corby's shareholders. Brand prioritization requires an evaluation of each brand's potential to deliver upon this strategy and facilitates Corby's marketing and sales teams' focus and resource allocation. Over the long term, management believes that effective execution of this strategy will result in value creation for Corby shareholders.

Pursuing new growth opportunities outside of Canada is also a key strategic priority. The Corporation's primary goal is to leverage its Canadian whisky expertise and expand the business into markets where it believes there is growth potential in both volume and margin. Similarly, Corby will continue to support both existing and, as appropriate, acquired brands' growth abroad.

Of primary importance to the successful implementation of the Corporation's brand strategies is an effective route to market strategy. Corby is committed to investing in its trade marketing expertise and ensuring that its commercial resources are specialized to meet the differing needs of its customers and the selling channels they inhabit. In all areas of the business, management believes setting clear strategies, optimizing organization structure and increasing efficiencies are key to Corby's overall success.

In addition, management is convinced that both innovation and acquisitions are essential to seizing new profit and growth opportunities. Successful innovation can be delivered through a structured and efficient process as well as consistent investment in consumer insight and research and development. Corby benefits from having access to leading-edge practices at PR's North American hub, which is located in Windsor, Ontario, where most of its products are manufactured. Corby assesses potential acquisition opportunities against specific criteria including its core competencies and strategic priorities.

Finally, the Corporation is a strong advocate of social responsibility, especially with respect to its sales and promotional activities. Corby will continue to promote the responsible consumption of its products in its activities. As an example, Corby has an agreement in place to continue its successful partnership with the Toronto Transit Commission to provide free transit on New Year's Eve until 2019. The Corporation stresses its core values throughout its organization, including those of conviviality, straightforwardness, commitment, integrity and entrepreneurship.



## E. Employees of Corby

The Corporation employed 175 employees as at June 30, 2018.

## V. DIVIDENDS

The declaration and payment of dividends and the amount thereof are at the discretion of the Board, which takes into account the Corporation's financial results, capital requirements, available cash flow and other factors the Board considers relevant from time to time.

Corby's practice has been to declare and pay dividends quarterly. The amount of cash dividends declared per common share on the Voting Class A Common Shares and the Non-Voting Class B Common Shares for each of the three most recently completed fiscal years is as follows:

<b>Dividends declared per share (\$)</b>	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>
Voting Class A Common shares	0.87	0.82	1.38 <sup>(1)</sup>
Voting Class B Common shares	0.87	0.82	1.38 <sup>(1)</sup>

<sup>(1)</sup> Includes the special one-time common share dividend of \$0.62 per share on the Voting Class A Common Shares and the Non-Voting Class B Common Shares which was declared on November 11, 2015 and paid on January 8, 2016 to all common shareholders of Voting Class A Common Shares and Non-Voting Class B Common Shares on record as at the close of business on December 11, 2015.

On November 8, 2017, the Corporation's regular quarterly dividend per share increased from \$0.21 to \$0.22 per share, on all Voting Class A Common Shares and Non-Voting Class B Common Shares, payable in September, December, March and June in each fiscal year.

Pursuant to Corby's dividend policy, the annual amount of dividend is based on the greater of 85% of net earnings per share in the preceding fiscal year ended June 30 and \$0.60 per share, subject to business conditions and opportunities and appropriate adjustment for extraordinary events.

## VI. CAPITAL STRUCTURE

The authorized share capital of the Corporation consists of an unlimited number of Voting Class A Common Shares and an unlimited number of Non-Voting Class B Common Shares. As at June 30, 2018, Corby had 24,274,320 Voting Class A Common Shares and 4,194,536 Non-Voting Class B Common Shares issued and outstanding. There are no options outstanding.

### A. Voting Class A Common Shares and Non-Voting Class B Common Shares

The Voting Class A Common Shares entitle the holders thereof to one vote per share at all meetings of shareholders of the Corporation. The Non-Voting Class B Common Shares do not entitle the holders thereof to vote at meetings of shareholders of the Corporation. The holders of Voting Class A Common Shares and Non-Voting Class B Common Shares are entitled to receive *pari passu* such dividends as the Corporation shall declare and the remaining property of the Corporation upon dissolution. The Non-Voting Class B Common Shares do not contain coat-tail provisions, as they pre-date the 1987 TSX requirement.

## VII. MARKET FOR SECURITIES

The Voting Class A Common Shares and Non-Voting Class B Common Shares of the Corporation are listed for trading on the TSX under the symbols CSW.A and CSW.B, respectively. The price range and volume traded for the Voting Class A Common Shares and the Non-Voting Class B Common Shares of the Corporation on a monthly basis for each month of the fiscal year ended June 30, 2018, are indicated in the table, below:



Month	CSW.A <sup>(1)</sup>			CSW.B <sup>(1)</sup>		
	High (\$)	Low (\$)	Volume Traded	High (\$)	Low (\$)	Volume Traded
<b>2017</b>						
July	22.00	21.00	124,013	20.70	20.15	19,597
August	22.38	21.13	134,767	20.45	19.81	38,883
September	22.10	21.20	121,428	20.97	20.15	39,140
October	22.42	21.18	132,846	21.05	20.50	39,769
November	23.18	21.28	161,906	21.49	20.70	28,988
December	23.19	21.16	207,557	21.05	20.35	33,029
<b>2018</b>						
January	23.24	21.30	220,301	21.40	20.01	39,285
February	22.25	20.25	133,017	20.60	19.11	55,586
March	21.18	19.07	186,265	19.79	18.56	47,146
April	20.10	19.01	121,491	19.50	18.50	22,896
May	21.00	19.60	127,686	19.45	18.85	21,286
June	20.84	20.00	166,855	19.17	18.70	39,044

<sup>(1)</sup>The Voting Class A Common Shares and Non-Voting Class B Common Shares of the Corporation trade on the TSX under the symbols CSW.A and CSW.B, respectively.

## VIII. DIRECTORS AND OFFICERS

The names of the directors and officers of the Corporation, their province or state and country of residence, the positions held by the directors and officers within the Corporation, their principal occupations or employments during the past five years, the period during which each director has exercised such mandate, as well as the number of Voting Class A Common Shares of the Corporation that each director and officer owned beneficially, directly or indirectly or over which they exercised control or direction as of June 30, 2018, are indicated in the following pages.

### A. Directors

Name, Province or State and Country of Residence	Principal and Previous Occupations	Director Since	Approximate Number of Voting Class A Common Shares owned as at June 30, 2018
McCARTHY, George F. <sup>(1)(3)(5)</sup> Connecticut, U.S.A.	Chairman of the Board of the Corporation.	June 20, 1993	23,895
BOULAY, Claude <sup>(4)</sup> Québec, Canada	External legal counsel of Pernod Ricard affiliates, and external legal counsel and corporate secretary of Pernod Ricard Canada Ltée. and Director of Hiram Walker & Sons Limited, Gooderham & Worts Ltd., Allied Domecq (Canada) Ltd. and Seagram (China) Ltd.	July 1, 2008	0*
DUFFY, Paul C. <sup>(1)(2)</sup> Connecticut, U.S.A.	Chairman and Chief Executive Officer of Pernod Ricard North America and CEO of Pernod Ricard USA.  Chairman and Chief Executive Officer of The Absolut Company, from 2012 to 2016.	July 1, 2016	0*
LLEWELLYN, Robert L. <sup>(1)(2)(3)(4)(5)</sup> South Carolina, U.S.A.	Director of the Corporation.	January 20, 1999	3,452
LUSSIER, Donald V. <sup>(1)(2)(5)</sup> Manitoba, Canada	Director of the Corporation.	November 12, 2009	5,012
MAYLE, Edward <sup>(3)(4)**</sup> Ontario, Canada	Vice President and Chief Financial Officer of the Corporation.  Finance Director of Pernod Ricard UK from 2014 to September 2018.	October 1, 2018	0
NIELSEN, Patricia L. <sup>(1)(3)(5)</sup> Ontario, Canada	Director of the Corporation.	November 14, 2000	22,199
O'DRISCOLL, Patrick <sup>(4)***</sup> Ontario, Canada	President and Chief Executive Officer of the Corporation.	July 1, 2009	15,778
SANCHEZ VILLAREAL, Antonio <sup>(3)(4)****</sup> Ontario, Canada	Vice President and Chief Financial Officer of the Corporation.  Chief Financial Officer of Pernod Ricard Japan from 2012 to 2015.	September 1, 2015	2,991
THOMPSON, Kate <sup>(3)</sup> Surrey, U.K.	General Counsel of Chivas Brothers Ltd.  Legal Director, Pernod Ricard Europe Middle East and Africa from 2016 to August 2018 and Legal, Corporate Affairs and Communications Director of Pernod Ricard Winemakers Pty Ltd. from 2010 to 2016, as well as Company Secretary from 2007 to 2016.	March 8, 2017	0*
<p><sup>(1)</sup> Member of the Audit Committee  <sup>(2)</sup> Member of the Management Resources Committee  <sup>(3)</sup> Member of the Corporate Governance &amp; Nominating Committee  <sup>(4)</sup> Member of the Retirement Committee  <sup>(5)</sup> Member of the Independent Committee</p> <p>*Directors of the Corporation who are acting as Pernod Ricard's nominees hold no shares in the capital of Corby.  **Mr. Mayle was appointed a director of the Company, effective October 1, 2018, following Mr. Sanchez's resignation, effective September 1, 2018.  ***Mr. O'Driscoll purchased 650 Non-Voting Class B Common Shares in July 2012.  ****Mr. Sanchez resigned as a Director of the Corporation, effective September 1, 2018.</p>			

Each director remains in office until the following annual meeting of shareholders or until the election of his/her successor, unless he/she resigns or his/her office becomes vacant as a result of his/her death or any other cause. Additional information on the directors of the Corporation can be found in the Corporation's Management Proxy Circular for the fiscal year ended June 30, 2018, which is incorporated herein by reference and a copy of which is available at [www.sedar.com](http://www.sedar.com).

## B. Officers

Name, Province or State and Country of Residence	Principal and Previous Occupations	Officer Since	Approximate Number of Voting Class A Common Shares owned as at June 30, 2018
McCARTHY, George F. Connecticut, U.S.A.	Chairman of the Board of the Corporation.	January 1, 1993	23,895
CÔTÉ, Stéphane Ontario, Canada	Vice-President, Sales, of the Corporation.	July 1, 2013	8,240
HANESWORTH, Melissa** Arkansas, USA**	Vice-President, Production of the Corporation. Managing Director, Operations at Pernod Ricard USA, Inc. from 2010 to March 2018.	March 1, 2018	0*
HOLUB, Paul G.*** Ontario, Canada	Vice-President, Human Resources, of the Corporation.	February 13, 2007	22,773
LI, Angel**** Ontario, Canada	Vice – President, Human Resources, of the Corporation.	July 1, 2018	0*
MARTIN, Anne Ontario, Canada	Vice President, Marketing, of the Corporation. Marketing Director, Pernod Ricard Australia, from 2012 to August 2017.	September 1, 2017	0*
MAYLE, Edward***** Ontario, Canada	Vice President and Chief Financial Officer of the Corporation. Finance Director of Pernod Ricard UK from 2014 to September 2018.	October 1, 2018	0
O'DRISCOLL, Patrick***** Ontario, Canada	President and Chief Executive Officer of the Corporation.	July 1, 2009	15,778
STANSKI, James M.***** Ontario, Canada	Vice-President, Production, of the Corporation.	November 12, 2009	0*
VALENCIA, Marc A. Ontario, Canada	General Counsel, Corporate Secretary and Vice-President, Public Affairs, of the Corporation.	December 1, 2004	26,957
SANCHEZ VILLARREAL, Antonio***** Ontario, Canada	Vice President and Chief Financial Officer of the Corporation. Chief Financial Officer of Pernod Ricard Japan from 2012 to 2015 and Chief Financial Officer of Jan-Becher from 2009 to 2011.	September 1, 2015	2,991
<p>*Other than the Corporation's Chief Executive Officer and Chief Financial Officer, officers of the Corporation who are on expatriate assignment from Pernod Ricard or are employed by HWSL hold no shares in the capital of Corby.</p> <p>**Ms. Hanesworth was appointed Vice-President, Production of the Corporation by the Board, following Mr. Stanski's resignation, effective March 1, 2018.</p> <p>***Mr. Holub resigned as Vice-President, Human Resources of the Corporation by the Board, effective July 1, 2018.</p> <p>****Ms. Li was appointed as Vice-President, Human Resources of the Corporation by the Board, effective July 1, 2018, following Mr. Holub's resignation. Mrs. Li was also appointed Vice-President, Human Resources Commercial North America, effective July 1, 2018.</p> <p>*****Mr. Mayle was appointed a director of the Company, effective October 1, 2018, following Mr. Sanchez's resignation, effective September 1, 2018.</p> <p>*****Mr. O'Driscoll purchased 650 Non-Voting Class B Common Shares in July 2012.</p> <p>*****Mr. Stanski resigned as Vice President, Production of the Corporation, effective March 1, 2018.</p> <p>*****Mr. Sanchez resigned as Vice President, Chief Financial Officer of the Corporation, effective September 1, 2018.</p>			

### C. Shareholdings of Directors and Officers

The directors and officers of the Corporation as a group beneficially own, directly or indirectly, or exercise control or direction 131,297 Voting Class A Common Shares as at June 30, 2018, representing approximately 0.54% of the aggregate number of voting securities of the Corporation issued and outstanding as at June 30, 2018. The information as to the shares owned, directly or indirectly, or over which control or direction is exercised by the directors and officers is not within the knowledge of the Corporation and has been furnished by each of the directors and officers of the Corporation. Additional information with regard to shareholdings of directors of the Corporation can be found in the Corporation's 2018 Management Proxy Circular, which is incorporated herein by reference and a copy of which is available at [www.sedar.com](http://www.sedar.com).

### D. Audit Committee

#### 1. Audit Committee Charter

The Corporation's "Audit Committee Charter", which sets out its purpose, authority, function, membership, qualifications and responsibilities, is attached as Appendix "A" to this Annual Information Form.

#### 2. Audit Committee Composition

All members of the Audit Committee are independent and financially literate (as those terms are defined in *Multilateral Instrument 52-110 – Audit Committees*) and have the following education and experience which is relevant to their roles as Audit Committee members:

Name	Independent	Financially Literate	Education and Experience
Robert L. Llewellyn (Chair)	Yes	Yes	Mr. Llewellyn has a BS degree from Pennsylvania State University, an MBA from Boston University and a Certificate of Financial Literacy for Directors from Rotman School of Management, University of Toronto. Having been a senior executive and board member of several companies, Mr. Llewellyn has had controllers reporting to him and was required to understand financial statements.
Paul Duffy	Exempt	Yes	Mr. Duffy graduated from the University of Dublin, Trinity College, with a Bachelor in Business Studies and undertook his training as a Chartered Accountant with KPMG Dublin. Mr. Duffy has held various senior executive positions with Pernod Ricard having responsibility for financial matters
Donald V. Lussier	Yes	Yes	Mr. Lussier has a B Comm degree from the University of Manitoba. Having served as senior executive of several companies and as a former chair of the audit committee of Misericordia Health Centre, Mr. Lussier was required to have a thorough understanding of accounting principles and understand financial statements.
George F. McCarthy	Yes	Yes	Mr. McCarthy has a BS degree from University of Detroit and an MBA from University of Chicago. Having been a senior executive and board member of several companies, with chief financial officers reporting to him and overall responsibility for accuracy of financial statements, Mr. McCarthy was required to have a thorough understanding of accounting principles, financial statements and internal controls.
Patricia L. Nielsen	Yes	Yes	Ms. Nielsen has a partial BA degree from University of Western Ontario, an Executive MBA Certificate from University of Toronto, and several designations, including Financial Management, from General Electric's John F. Welch Leadership Center at Crotonville. Having been a senior executive and board member of several companies, with chief financial officers reporting to her and overall responsibility for accuracy of financial statements, Ms. Nielsen was required to have a thorough understanding of accounting principles, financial statements and internal controls.

The Corporation relies upon the Controlled Companies exemption in subsection 3.3(2) of Multilateral Instrument 52-110 - *Audit Committees* in respect of director appointees of the Corporation's majority shareholder or its affiliate. Mr. Paul Duffy is the director appointee of the Corporation's current majority shareholder or its affiliate, Pernod Ricard, and the Board of Directors has determined in its reasonable judgment that Mr. Duffy is able to exercise the impartial judgment necessary to fulfill his responsibilities as an Audit Committee member and, with his considerable skills, education and experience, his appointment is required by the best interests of the Corporation and its shareholders.

### **3. Engagement of Non-Audit Services**

The Audit Committee has adopted a policy in connection with the engagement of non-audit services. In the event that the Corporation wishes to engage its auditor for any other permitted service, the Chief Financial Officer will submit the request for service, in advance, to the Audit Committee for consideration and approval. The request for service will include the estimated fee and a statement whether the service is a permitted service under the Corporation's policy. The engagement may commence upon approval of the full Audit Committee.

### **4. External Auditors Service Fees**

In fiscal years 2018 and 2017, Deloitte LLP did not provide any non-audit services to the Corporation and no tax fees were paid by the Corporation.

The aggregate fees billed by Deloitte LLP, as the Corporation's external auditors, for audit services provided during fiscal years 2018 and 2017 are set out below:

<b>Fees</b>	<b>2018</b>	<b>2017</b>
Audit fees <sup>(1)</sup>	\$367,100	\$346,200
Audit-related fees <sup>(2)</sup>	\$24,800	\$38,000
Tax fees	0	0
All other fees	<u>0</u>	<u>0</u>
<b>Total</b>	<b><u>\$391,900</u></b>	<b><u>\$384,200</u></b>

<sup>(1)</sup> Audit fees are fees for services related to the audit of the Corporation's consolidated financial statements and the review of the second quarter report to shareholders.

<sup>(2)</sup> Audit-related fees are fees for assurance and related services that are performed by the Corporation's external auditors. These services represent the audit of the pension plans.

### **E. Cease Trade Orders**

To the knowledge of the Corporation, no director or officer of the Corporation is, or within the last 10 years has been, a director, chief executive officer or chief financial officer of any company that: (a) while that person was acting in that capacity, was the subject of a cease trade order or similar order or an order that denied the company access to any exemption under securities legislation for a period of more than 30 consecutive days, or (b) was subject to a cease trade order or similar order or an order that denied the company access to any exemption under securities legislation, for a period of more than 30 consecutive days, that was issued after that person ceased to be a director, chief executive officer or chief financial officer, but which resulted from an event that occurred while that person was acting in that capacity.

## **IX. TRANSFER AGENT AND REGISTRAR**

The Corporation's transfer agent and registrar is Computershare Investor Services Inc., 100 University Ave., 8<sup>th</sup> Floor, Toronto, ON M5J 2Y1.

## **X. MATERIAL CONTRACTS**

The following material contracts have been filed by Corby pursuant to Section 12.2 of National Instrument 51-102 – *Continuous Disclosure Obligations* and remain in effect:

- Agreement dated March 7, 2006 between Corby and Pernod Ricard.

- Amendment agreement dated June 29, 2006 between Corby and Pernod Ricard.
- Share purchase agreement dated September 29, 2006 between Corby, Pernod Ricard and Pernod Ricard Canada Ltée.
- Asset purchase agreement dated September 29, 2006 between Pernod Ricard, Allied Domecq Spirits & Wine Limited, The Hiram Walker Group Limited, Alfred Lamb International Limited, Corby and Corby International Limited.
- Assignment agreement (the “Assignment Agreement”) dated September 29, 2006 between Corby, Pernod Ricard, Allied Domecq International Holdings BV (“ADIHBV”) and Chivas Brothers Limited, Allied Domecq Spirits & Wine Limited, Chivas Brothers Pernod Ricard Limited, Chivas Brothers (Americas) Limited, The Glenlivet Distillers Limited and Hill Thomson & Co. Limited (each of Chivas Brothers Limited, Chivas Brothers (Americas) Limited, The Glenlivet Distillers Limited and Hill Thomson & Co. Limited (collectively, the “Brand Owners”).
- Canadian representation agreement (the “Chivas Representation Agreement”) dated September 29, 2006 between Pernod Ricard, ADIHBV and the Brand Owners.
- Canadian representation agreement (together with the Chivas Representation Agreement, the “Canadian Representation Agreements”) dated September 29, 2006, between Pernod Ricard and ADIHBV and assigned to Corby by ADIHBV, pursuant to the Assignment Agreement.
- Canadian representation agreement dated September 26, 2008 between Pernod Ricard and Corby.
- Canadian representation agreement dated November 9, 2011 between Pernod Ricard and Corby.
- Canadian representation agreement dated September 29, 2013 between The Absolut Company and Corby.
- Amending agreement to Canadian Representation Agreements dated August 26, 2015 between Pernod Ricard S.A. and certain affiliates and Corby.
- Distillate supply agreement (the “Production Agreement”) dated November 11, 2015 between HWSL and Corby.
- Co-pack agreement (the “Co-Pack Agreement”) dated November 11, 2015 between HWSL and Corby.
- Asset Purchase agreement dated August 31, 2016 between Ungava Spirits Co. Ltd. (a subsidiary 100 per cent owned by Corby), Domaines Pinnacles Inc., Charles Crawford and Susan Reid.
- Representation agreement dated March 21, 2016 between Pernod Ricard UK Limited and Corby.
- Amending agreement to representation agreement dated December 21, 2016 between Pernod Ricard UK Limited and Corby.
- Purchase and Sale Agreement dated August 25, 2017 between Leonard Crispino, Marisa Crispino, Louis Cimicata, Marlen Investments Corporation and Corby Spirit and Wine Limited

As mentioned above, under “Related Party Transactions”, on September 29, 2006, Corby and Pernod Ricard entered into an agreement pursuant to which Corby acquired the exclusive right to represent Pernod Ricard’s brands in Canada for a 15-year period, expiring in 2021. These representation rights are set forth in the Canadian Representation Agreements, which were assigned to Corby pursuant to the Assignment Agreement. As part of that transaction, Corby also acquired from Pernod Ricard the international rights to Lamb’s rum (excluding the Canadian rights, which Corby already owned) The companies also agreed upon the terms for continuation of production of Corby’s owned-brands by Pernod



Ricard at its production facilities in Windsor, Ontario, for a 10-year period, which expired in 2016, pursuant to the Co-Pack Agreement and the Production Agreement, which were superseded by the November 11, 2015 co-pack and production agreements described below, allowing for continuation of this arrangement. The companies further agreed that Corby would manage Pernod Ricard's business interests in Canada, including the Windsor production facilities. On November 11, 2015 Corby and PR entered into agreements for the continued the production and provision of administrative services for a further ten-year term. The co-packing fee and fees payable under the Co-Pack and Production Agreements are based on market rates as at the date of the agreements and adjusted for inflation (determined by the Canadian Consumers Price Index) and other changes in costs, plus applicable taxes. On August 26, 2015, Corby entered into an agreement with Pernod Ricard and certain affiliates amending the September 29, 2006 representation agreements, whereby Corby would provide more specialized marketing, advertising and promotion services for the Pernod Ricard and affiliate brands under the applicable agreements in exchange for an increase to the rate of commission payable by such entities. On September 26, 2008, Pernod Ricard and Corby entered into an agreement providing Corby the exclusive right to represent Absolut vodka in Canada for five years to September 30, 2013. On September 29, 2013, Corby entered into an agreement with The Absolut Company extending Corby's exclusive right to represent the Absolut vodka brand in Canada, for an eight-year period ending September 29, 2021, which is consistent with the term of Corby's Canadian representation of the other PR brands in Corby's portfolio. Under the agreement, Corby paid \$10.3 million to The Absolut Company for the additional eight years of the new term to PR at its commencement. The Absolut Company, as owner of the Absolut vodka brand, and Corby entered into the agreement to satisfy the parties' obligations with respect to representation of the "Absolut" brand set out in the November 9, 2011 agreement between Corby and PR. On September 30, 2016, Corby acquired the spirits assets, related inventory and production assets of Domaines Pinnacle for a purchase price of \$12 million. The brand portfolio and other assets acquired by Corby are operated by Ungava Spirits from the current location in Cowansville, Quebec. On March 21, 2016, Corby entered into an agreement with Pernod Ricard UK Limited, an affiliated company, which provides PRUK the exclusive right to represent Lamb's rum in Great Britain, effective July 1, 2016, for a five-year period ending June 30, 2021. On October 2, 2017 Corby acquired all of the shares of Vinnova Corporation and substantially all of the assets of the Crispino Estate Vineyard partnership, which together operated as the Foreign Affair Winery, a Niagara, Ontario based wine producer for a purchase price of \$6.4 million. The purchase price was funded from Corby's deposits in cash management pools. The transaction resulted in Corby's acquisition, through a wholly-owned subsidiary, of the Foreign Affair Brands, as well as related production assets and inventory.

## **XI. EXPERTS**

The Corporation's auditors are Deloitte LLP. As at August 23, 2017, Deloitte LLP has advised that it is independent with respect to the Corporation in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

## **XII. ADDITIONAL INFORMATION**

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities, is contained in the Corporation's Management Proxy Circular for its most recent annual meeting of shareholders at which directors were elected. Additional financial information, including comparative consolidated financial statements, is provided in the Corporation's Annual Report to shareholders and Management's Discussion and Analysis for the fiscal year ended June 30, 2018. Additional information regarding Corby is available on SEDAR at [www.sedar.com](http://www.sedar.com), the internet site maintained by the Canadian Securities Administrators, and on Corby's corporate website, located at [www.corby.ca](http://www.corby.ca).

The Corporation will provide to any person, upon written request to the Corporate Secretary of the Corporation, 225 King Street West, Suite 1100, Toronto, Ontario M5V 3M2, a copy of this Annual Information Form, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the Annual Information Form, one copy of the comparative financial statements of the Corporation for its fiscal year ended June 30, 2018, together with the accompanying report of the auditors, and a copy of any interim financial statements of the Corporation subsequent to such financial statements and one copy of the Management Proxy Circular described above. The Corporation may require the payment of a reasonable charge for such documents if the request is made by a person who is not a security holder of the Corporation. If the securities of the Corporation are in the

course of a distribution, pursuant to a preliminary short form prospectus or a short form prospectus, the Corporation will provide to any person (without charge), upon request to the Corporate Secretary of the Corporation, any of the documents referred to above, and one copy of any other documents that are incorporated by reference into any preliminary short form prospectus or short form prospectus filed by the Corporation.

**APPENDIX “A”**  
**CORBY SPIRIT AND WINE LIMITED**  
(the “Corporation”)  
**AUDIT COMMITTEE CHARTER**

The Audit Committee of the Corporation reviews and approves this written charter setting out its mandate and responsibilities.

**Establishment of Committee**

A committee of the directors to be known as the “Audit Committee” (hereinafter the “Committee”) is hereby established.

**Composition of Committee**

- The Committee shall be appointed by the Board of Directors of the Corporation (the “Board”) from amongst the non-executive directors of the Corporation and shall consist of not less than three members. A quorum shall be two members.
- The members of the Committee shall be independent of the management of the Corporation.
- Each member of the Committee shall be financially literate, or must become financially literate within a reasonable period of time after appointment to the Committee.
- The chair of the Committee shall be appointed by the Board.

**Attendance at Meetings**

- The Chief Executive Officer, Chief Financial Officer, Director/Manager of Internal Audit, and a representative of the external auditors shall normally attend meetings. Other Board members shall also have the right of attendance.
- In the absence of the Committee chair, the remaining members present shall elect one of their members to chair the meeting.
- The Corporate Secretary shall be the Secretary of the Committee; in his/her absence the Committee chair may appoint an individual to carry out the Secretary’s duties.

**Frequency of Meetings**

- Meetings may be called by any member of the Committee, or by the external auditors, should they consider one to be necessary.
- At a minimum, the Committee shall meet on a quarterly basis.
- Notice of meeting and agenda will be sent out to each member of the Committee not fewer than five working days prior to the meetings.

**Authority**

The Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek any information it requires to fulfill the above and all employees are directed to cooperate with any request made by the Committee.

**Specific Roles and Responsibilities of the Committee**

***Financial Statements, Disclosure & Controls***

- a) The Committee shall review the following before the Board of Directors’ approval and the Corporation’s public disclosure of such information:
  - i) the quarterly and annual financial statements, with accompanying notes;

- ii) the quarterly and annual management's discussion & analyses;
  - iii) the quarterly and annual press releases;
  - iv) any additional press releases which contain financial information;
  - v) the Annual Report;
  - vi) the Annual Information Form;
  - vii) significant adjustments resulting from the external audit.
- b) The Committee shall examine the presentation and impact of significant risks and key management estimates and judgments that may have a material impact on the Corporation's financial reporting.
  - c) The Committee shall review the adequacy of the Corporation's financial reporting and internal accounting controls prior to endorsement by the Board.
  - d) The Committee shall periodically meet with management, the internal auditor, and the external auditors to review internal accounting controls, audit results, and accounting principles and practices.
  - e) The Committee shall ensure that the Director/Manager of Internal Audit has the right of direct access to the chair of the Committee.
  - f) The Committee shall consider the major findings of internal investigations and management's response.

#### ***External Auditors***

- The Committee is to consider the appointment of external auditors, the external audit fee, and any questions of resignation or dismissal for recommendation to the Board.
- The Committee is to review the nature and scope of the audit, the cost effectiveness, independence and objectivity of the auditors.
- The Committee is to approve and review a policy regarding certain permitted audit, audit-related and tax services to be provided to the Corporation or its subsidiary entities by the external auditor. Such policy also sets out certain prohibited non-audit services and a procedure for the approval of any other permitted service not pre-approved by therein.
- The Committee is to discuss problems and reservation arising from the interim and final audits, and any matters the auditors may wish to discuss (in the absence of management where necessary).
- The Committee is to review the external auditors' management letter and management's response.

#### ***Whistleblower Procedures***

The Committee is to review and approve procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters and the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

#### ***Hiring of Former/Present External Auditor Partners and Employees***

The Committee is to review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Corporation.

#### ***Authority to Engage Advisors***

The Committee has the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties, to set and pay the compensation for any advisors employed by the Committee, and to communicate directly with the internal and external auditors.

