

# **MARTINREA INTERNATIONAL INC.**



## **ANNUAL INFORMATION FORM**

For the fiscal year ended

December 31, 2020

March 4, 2021

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## Special Note Regarding Forward-Looking Statements

This Annual Information Form contains forward-looking statements within the meaning of applicable Canadian securities laws, including, but not limited to, statements related to the outlook and growth of the automotive industry, including increasing sales and revenues, production levels, government financial intervention, the financial outlook of OEMs, availability of credit for automotive purchases, the cyclical nature of the automotive industry, various trends, such as the future of and impact of autonomous vehicles, connectivity and shared vehicles, electric vehicles, the internal combustion engine, the launching of new programs, pricing pressures placed by OEMs on suppliers, continued consolidation of automotive suppliers, the impact of government regulations and governmental trade policy, the competitive environment of the auto industry, the increase in foreign-owned OEM production in relation to vehicle importation, the increased reliance on outsourcing by OEMs, the impact of the consolidation of vehicle platforms, including on warranty/recall risk or localization trends, anticipated growth in the automotive industry generally and in emerging markets, the benefit of strategic relationships to the growth of the Company's business, the increased reliance on and importance of, and the increasing trend of sustainability and environmentally focused and lightweight technologies, future investments in leading edge technology, the use of and benefit of graphene to the Company's business, equipment and processes, opportunities to increase sales, expand the customer base and growth of the Company and pursuit of and belief in its strategies and ability to deliver on them, successful integration of acquisitions, increased relationships with suppliers, statements on industry trends, and market growth, the impact of the COVID-19 pandemic on industry volumes, revenues, and the Company's business, and the Company's belief of the claims referenced under *Potential Tax Exposures and Legal Proceedings*. The words "continue", "expect", "anticipate", "estimate", "may", "will", "should", "views", "intend", "believe", "plan" and similar expressions are intended to identify forward-looking statements. Forward-looking statements are based on estimates and assumptions made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors that the Company believes are appropriate in the circumstances, such as expected sales and industry production estimates, current foreign exchange rates, timing of product launches and operational improvement during the period, and current Board approved budgets. Certain forward-looking financial assumptions are presented as non-IFRS information and we do not provide reconciliation to IFRS for such assumptions. Many factors could cause the Company's actual results, performance or achievements to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the following factors, which are discussed in greater detail in the "Risk Factors" section of this Annual Information Form:

- North American and Global Economic and Political Conditions and Consumer Confidence;
- The highly cyclical nature of the automotive industry and the industry's dependence on consumer spending and general economic conditions;
- Pandemics and Epidemics (including the ongoing COVID-19 Pandemic), Force Majeure Events, Natural Disasters, Terrorist Activities, Political Unrest, and Other Outbreaks
- The Company's dependence on key customers
- Financial Viability of Suppliers;
- Competition;
- The increasing pressure on the Company to absorb costs related to product design and development, engineering, program management, prototypes, validation and tooling;
- Increased pricing of raw materials and commodities;
- Outsourcing and Insourcing Trends;
- The risk of increased costs associated with product warranty liability and recalls together with the associated liability;
- Product Development and Technological Change;
- Dependence on Key Personnel;
- Availability of Consumer Credit or Cost of Borrowing;
- Limited Financial Resources/Uncertainty of Future Financing/Banking;
- Risks associated with the integration of acquisitions;
- Potential Tax Exposures;
- Cybersecurity Threats;
- Costs associated with rationalization of production facilities;
- Launch and Operational Cost Structure;
- Labour Relations Matters;
- Trade Restrictions;
- Changes in Governmental Regulations;
- Litigation and Regulatory Compliance and Investigations;
- Quote/Pricing Assumptions;
- Currency Risk - Hedging;
- Currency Risk – Competitiveness in Certain Jurisdictions;
- Fluctuations in Operating Results;
- Internal Controls Over Financial Reporting and Disclosure Controls and Procedures;
- Environmental Regulation and Climate Change;

- Loss of Use of Key Manufacturing Facilities;
- A Shift Away from Technologies in Which the Company is Investing;
- Intellectual Property;
- Competition with Low Cost Countries;
- The Company's ability to shift its manufacturing footprint to take advantage of opportunities in growing markets;
- Risks of conducting business in foreign countries, including China, Brazil and other markets;
- Change in the Company's mix of earnings between jurisdictions with lower tax rates and those with higher tax rates;
- The risks associated with Pension Plan and Other Post Employment Benefits
- Impairment Charges;
- Potential Volatility of Share Prices;
- Dividends;
- Risks associated with private or public investment in technology companies;
- Risks associated with joint ventures;
- Lease Obligations.

These factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking statements. The Company has no intention and undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

## MARTINREA INTERNATIONAL INC.

### 1. CORPORATE STRUCTURE

#### Name and Incorporation

Martinrea International Inc. (“Martinrea” or the “Company”) was formed under the *Business Corporations Act* (Ontario) by the amalgamation of several predecessor corporations by articles of amalgamation dated May 1, 1998 and continued business under the successor corporation, Royal Laser Tech Corporation. On June 4, 2002, the Company changed its name from Royal Laser Tech Corporation to Martinrea International Inc. pursuant to articles of amendment.

The Company’s head and registered office is located at 3210 Langstaff Road, Vaughan, Ontario, L4K 5B2.

#### Intercorporate Relationships

A list of the Company’s principal subsidiaries and their respective jurisdictions of incorporation as at December 31, 2020 is annexed hereto as Appendix “A”. The Company’s intercorporate legal structure is not indicative of the Company’s operational structure.

Unless otherwise indicated or unless the context otherwise requires, all references in this Annual Information Form to Martinrea or the Company include Martinrea and its subsidiaries.

Martinrea currently operates in 57 locations, in ten countries, as shown below, with its corporate head office in Vaughan, Ontario and its main sales and research and development technical center in Auburn Hills, Michigan, and a sales and engineering office in Japan.



### 2. ABOUT MARTINREA

Martinrea is a lightweighting company and is an increasingly diversified and global supplier, engaged in the design, development and manufacturing of highly engineered, value-added Lightweight Structures and Propulsion Systems focused primarily on the automotive sector. (See “*Description of the Business and Trends: Automotive Industry – General*”.)

The Company, led by Pat D’Eramo (Chief Executive Officer and President), Rob Wildeboer (Executive Chairman) and the rest of the executive management team, is focused on innovation and providing advanced engineering solutions using its lightweighting expertise in metal forming, aluminum casting and other lightweighting materials to help automakers curb vehicle weight, while at the same time improving a vehicle’s overall strength, safety and efficiency, and using its fluids management and aluminum systems expertise to create solutions to meet the

customer's demands for mobility. (See "*Description of the Business and Trends: The Company's Vision, Mission, Culture and Business Strategy*".)

To continue to propel the Company forward, the Company has focused over the last several years on building its culture (of entrepreneurship, lean manufacturing principles, and the Golden Rule philosophy) and implementing its Vision, Mission and 10 Guiding Principles (see "*Description of the Business and Trends: The Company's Vision, Mission, Culture and Business Strategy*") throughout the Company, with a strategy based on four key pillars: having a high performance culture, operational excellence, superior financial management and customer satisfaction.

Since its inception, the Company has been executing its strategy with prudent, profitable growth through innovation and engineering, with talented people. At Martinrea, we believe our strength is in our people. The Company has created a diverse and inclusive culture, giving employees the opportunity to help the Company grow its footprint and expand its product offerings and areas of expertise with discipline, dedication and determination. The Company believes a culture based on treating people the way we want to be treated, with dignity and respect, is a critical component of a sustainable business and will be a sustainable competitive advantage over time (see "*Description of the Business and Trends: Sustainable Business*").

The Company has grown from its founding as an automotive parts supplier in 2001 to become a leader in all of its product areas.

### **3. GENERAL DEVELOPMENT OF THE BUSINESS**

In terms of automotive parts suppliers, Martinrea is a relatively young company, whose competitors have been in business in some cases for many decades. For this reason, we have included a brief history of Martinrea's business development as an automotive parts supplier from inception to the present.

#### **History (2001 to 2014) Martinrea 1.0 – Building a Footprint**

The Company's historical business before 2001 consisted primarily of the production of metal products including store fixtures and metal components. Since its founding in 2001 as an automotive supplier, the Company has focused on original equipment manufacturers ("OEMs") as a Tier One supplier (suppliers which supply components, assemblies, modules or systems directly to OEMs) in the automotive sector, and on large equipment manufacturers for its non-automotive business. (See "*Description of the Business and Trends*".)

In August 2001, a new executive team joined the Company and set it on its path as a market leader in the production of metal forming and fluid systems parts, assemblies and modules particularly for the automotive industry: Rob Wildeboer, as Executive Chairman, Fred Jaekel, as President and Chief Executive Officer and Nick Orlando, as Executive Vice President and Chief Financial Officer. They were the co-founders of the business of the Company.

From 2001 to 2014, the Company developed both through organic growth from customers awarding it new, incremental or takeover business (that is, business taken over from a competitor at the request of a customer) and through acquisition, seeing revenue increase from \$26.5 million in 2001 to revenues of approximately \$3.6 billion in 2014. During this time, the Company grew its footprint, managed the integration of acquisitions to improve efficiencies, had sizeable launch activity, strengthened product offerings, took advantage of technological capabilities, created more profitability, grew existing customers and added new customers, streamlined and restructured its operations (closing non-performing plants and expanding or building plants in areas where operations and production was growing), with most years (with the exception of the 2008 and 2009 recession) being record years in terms of revenues, volumes and profits, while continuing to implement the Company's strategy and its decentralized system and organization-wide entrepreneurial approach on a larger global platform as it expanded into new jurisdictions and geographies.

The Company made various acquisitions expanding the Company's business and operations, each adding to the Company's capabilities, assets and revenues: (i) in 2002, the Company acquired the shares of Rea International Inc. ("Rea International") and Pilot Industries, Inc. ("Pilot"); (ii) in 2005, the Company opened its first metal forming plant in the United States, named Icon, in Corydon, Indiana, by acquiring assets and takeover business from an insolvent competitor; (iii) in May, 2006, the Company acquired the assets of Depco International ("Depco") in Ontario,

renamed Rollstar Metal Forming; (iv) on December 1, 2006, the Company acquired the North American body and chassis operations of the ThyssenKrupp Budd Company (“TKB”); (v) in 2009, the Company acquired the business of SKD Automotive Group (“SKD”) which involved acquisitions of a plant in Mexico City, Mexico and Jonesville, Michigan, along with the related business, and the takeover of SKD’s work in Canada along with the related equipment necessary to produce the work; and (vi) in 2011, in addition to focusing on growing its core business, the Company seized the opportunity to expand its business into the light-metal aluminum casting and machining industry through the acquisition from bankruptcy of substantially all of the assets of Honsel AG (“Honsel”) to form the Martinrea Honsel Group (also called “Martinrea Honsel”). The Company partnered with Anchorage Capital Group, L.L.C. (“Anchorage”) in the transaction which involved the acquisition of plants in Germany located in Meschede, Soest (which was later sold in 2015) and Nuttlar, as well as Madrid, Spain; Queretaro, Mexico; and Monte Mor, Brazil (in 2014, the Company acquired the minority interest in Martinrea Honsel from Anchorage so it now fully owns the aluminum casting and machining operations of Martinrea Honsel).

By 2014, Martinrea’s footprint was in place.

Martinrea experienced increasing success and recognition from its largest customers General Motors, Ford, FCA, Daimler, JLR and Nissan, in terms of business wins (for both new and incremental business) and takeover business and in customer awards. Organic growth throughout this period included plant expansions in Canada, the United States and Mexico, and opening new plants in many areas. Martinrea also experienced consistent recognition from its customers in terms of customer performance awards.

The Company also experienced challenges in the automotive industry in North America in 2008 and 2009 with the 2008 and 2009 global credit and economic crisis and the severe contraction of the North American, and global, automotive industry in particular. Yet, in the face of all of the turmoil and despite the industry crisis, the Company survived and thrived, and focused on maintaining its strategy with hard work and dedication, resilience, responsiveness and discipline.

In November, 2014, Pat D’Eramo was appointed President and Chief Executive Officer.

## **Recent Developments in the Company’s Business (2015 to 2020) Martinrea 2.0 – One Martinrea and Driving the Culture**

The second major phase in Martinrea’s history began under the joint leadership of Pat D’Eramo and Rob Wildeboer, as they focused on the development of a One Martinrea concept, driving a high performance culture, operational excellence, superior financial management and customer satisfaction. The Company developed its Vision and Mission founded on 10 Guiding Principles, as it focused on developing a unique and successful Martinrea culture.

In 2015, the Company experienced record financial results to that date, with revenues of approximately \$3.9 billion and adjusted net income<sup>1</sup> of approximately \$119 million, in a year when the North American industry experienced post-recession record sales and production volumes. The Company finished the year with 44 facilities in operation or in the later stages of being built, and over 14,000 employees, in eight countries on four continents. The Company’s new facilities in Spain and Riverside, Missouri launched business in 2015, and the new facilities in Mexico and China were built and preparing for launches in 2016. One facility, in Soest, Germany, was determined to be a non-strategic asset with an uncertain future and was sold at a price approximating book value. There were no acquisitions in 2015. The Company continued to quote and win new business in 2015 in its various product areas.

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<sup>1</sup> The Company prepares its financial statements in accordance with International Finance Reporting Standards (“IFRS”). However, the Company considers certain non-IFRS financial measures as useful additional information in measuring the financial performance and condition of the Company. These measures, which the Company believes are widely used by investors, securities analysts and other interested parties in evaluating the Company’s performance, do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies, nor should they be construed as an alternative to financial measures determined in accordance with IFRS. Non-IFRS measures include “Adjusted Net Income” and “Adjusted EBITDA” (which are referenced in this Annual Information Form). A reconciliation of IFRS “Adjusted Net Income” and “Adjusted EBITDA” is contained in the Company’s management discussion and analysis of operating results and financial condition for the relevant year ended December 31 under the heading “Overall Results” and/or “Adjustments to Net Income”, a copy of which is available on [www.sedar.com](http://www.sedar.com).



2016 was another good year for the Company, as it worked to continuously improve and deliver results and value to its shareholders and customers. To emphasize this focus, in the spring of 2016, the Company held a Global General Manager Conference of the Company's operational leaders bringing together its diverse culture to drive the strategy (and kickstart what is internally known as Martinrea 2.0). As the management team continued to develop and execute on the Company's four pillar strategy, quality and performance generally improved throughout the Company; the Company experienced improved financial results in many areas; and customer satisfaction improved, as evidenced in significant new product mandates in all areas of the Company's business and a number of customer awards to the Company and many of its plants.

The Company experienced its best financial results in its history to that date, with revenues of approximately \$3.97 billion and adjusted net income of approximately \$130.1 million<sup>1</sup>, also showing margin improvement and a stronger balance sheet.

While the Company's operational footprint remained in place, it continued to make adjustments to reflect customer demand. The Company announced the closure of its Detroit Hot Stamping facility due to its customer's decision to cancel a specific light vehicle platform, on which the majority of the work in the facility was dedicated. The remaining work in the plant was moved to other facilities. The Company's Chinese fluids business expanded into a larger and more modern facility, reflecting its business growth in China. Facilities were expanded in Estampados, MJ Mexico and Silao and a new metallic facility was built in San Luis Potosi. Facilities in China and Mexico (noted above) that were being built in 2015 launched in 2016. To drive innovation, Martinrea announced the construction of a new 108,200 sq. ft. technical center in Auburn Hills, Michigan to combine its U.S. based sales, product engineering, purchasing and vehicle-lightweighting research and development activity into a single, state-of-the-art facility in close proximity to some of the largest vehicle manufacturers in the world.

The Company had a successful launch schedule during 2016, with over 70 successful launches, including the opening of four new plants, in Spain, Mexico, Riverside, U.S. and China. The Company won business (both new and incremental) for multiple programs launching in 2017, 2018 and 2019, in all its business areas. The Company was recognized by its customers for best in class performance at several of its facilities, which received top supplier awards. The Company also received a nomination for a Ford Motor Company World Excellence Award (WEA) for the category of Supplier Diversity Development Corporation of the Year in 2016. This award recognizes Tier One suppliers that successfully demonstrate significant contribution to the growth and development of supplier diversity development and community outreach during the 2016 calendar year.

2017 was another successful year for the Company, with record financial results to that date. The Company's four pillar strategy and lean manufacturing principles took hold, as evidenced by the Company's best year ever for financial performance to that date. 2017 revenues were approximately \$3.7 billion and adjusted net income<sup>1</sup> was approximately \$166 million. The Company experienced improving operating margins, cash flow and earnings per share. The Company's previously announced operating income margin target of 6% by the end of 2017 and a net debt:adjusted ebitda<sup>1</sup> target ratio of 1.5x by the end of 2017 were both met. The construction and move to the new Auburn Hills Technical Center facility was completed in 2017. Substantial investments were made in a number of existing facilities. The Company moved its MJ facility (now Martinrea Industrial Canada) to Vaughan, Ontario and its London, Ontario facility to Ingersoll, Ontario. The Company had a successful launch schedule during 2017, with many successful launches. The Company received a number of top supplier awards from a variety of customers, including GM, Ford, FCA, Nissan and Jaguar Land Rover. It also continued to improve its safety metrics to better than industry standards.

The Company's success continued in 2018, with record financial results to that date. 2018 revenues were again approximately \$3.7 billion and adjusted net income<sup>1</sup> was approximately \$193 million. The Company continued to experience improving operating margins, cash flow and earnings per share. The Company continued to invest in its operations and its business. The Company held its second leadership conference in April, 2018, building upon the success of the first leadership conference held in 2016, with the goal of accelerating the growth and execution of its strategy. The Company also renewed its sales and marketing strategy, positioning its products and capabilities with the evolving needs of its customers by delivering Lightweight Structures and Propulsion Systems and components using advanced materials in steel, aluminum, or a combination of both, as well as other materials. The Company launched the new commercial strategy externally in early 2019. The Company also invested in lightweighting technologies and announced its intention to increase its strategic position to approximately 16% of the outstanding shares of NanoXplore Inc., a Canadian company which produces graphene, which the Company believes will have

applications in certain areas of its business. The Company expanded its presence in Asia by opening a sales and engineering office in Tokyo, Japan to further build relationships with the Japanese automakers. The Company had a successful launch schedule during 2018. The Company won business (both new and incremental) for many programs launching in 2019, 2020 and 2021. In 2018, the Company earned approximately \$600 million in new product awards which were to be launched over the next several years, one of the best years for quoting work in the Company's history to that date. The Company received a number of top supplier awards from a variety of customers, including General Motors, Ford, FCA (now Stellantis, commencing in 2021) and others. Its safety metrics continued to improve to better than industry standards. The Company also navigated through the uncertainties created by the new United States Mexico Canada Agreement ("USMCA") negotiations and other global trade issues, such as steel and aluminum tariffs.

The Company had another strong year in 2019 in terms of financial and operational performance. 2019 revenues were approximately \$3.9 billion and adjusted net income<sup>1</sup> was approximately \$188 million. The first three quarters of the year showed year over year increases in revenue, adjusted operating income, free cash flow and adjusted earnings per share<sup>1</sup>. In the fourth quarter of 2019, the industry experienced a significant strike at GM, which reduced revenues for the Company and negatively affected earnings. The strike ended in the fourth quarter of 2019 and operations returned to normal by the end of 2019.

The Company continued to invest in its operations and business in 2019, as well as make or agree to make several important strategic investments, while maintaining a strong balance sheet and returning capital to shareholders in the form of dividends and share repurchases under the Company's normal course issuer bid. The Company was also very involved in trade related discussions in 2019, particularly in the USMCA negotiations. The Company continued to develop its Project BreakThrough sales and marketing strategy throughout the organization, whereby the Company markets itself through two major product offerings, namely, Lightweight Structures and Propulsion Systems to present product and systems solutions to customers, utilizing the Company's strengths in metal fabrication, both of steel and aluminum, and in fluid systems. The Company purchased a plant in Mississippi from Variform in the first half of 2019, increasing its presence in the U.S. market and with Nissan. It also increased its equity interest in NanoXplore Inc. to, as at that date, approximately 25%. The Company continues to explore uses of graphene in its product offerings, particularly in the fluid systems area. The Company also announced in late 2019 an agreement to purchase the structural components for the passenger cars division of Metalsa S.A. de C.V. (the "Metalsa Acquisition") for a purchase price of approximately USD \$19.5 million in cash, inclusive of working capital, less cash on hand, and on a debt free basis. Completion of the transaction occurred on March 2, 2020. The transaction enhances and diversifies the geographic and customer reach of the Company's Lightweight Structures group, provides added engineering capability in Europe, and adds approximately \$400 million in revenues on an annualized basis, based on anticipated normalized market volumes. Operationally, the Company had one of the busiest and most successful launch years to that date, launching many new products, including the new Escape platform for Ford and the truck and SUV program for GM. The Company announced approximately \$385 million in new business awards in 2019, launching primarily in 2021 and 2022 from a broad variety of customers, as the Company continues to focus on increasing its customer base over time.

2020 was a year of challenges and opportunity, as the Company completed the Metalsa Acquisition on March 2, 2020 and began the integration of the plants into its operations in the midst of the COVID-19 outbreak, which was declared a global pandemic by the World Health Organization on March 11, 2020 (the "COVID-19 Pandemic"). The COVID-19 Pandemic, and related governmental and other actions, including travel bans, social distancing, quarantines, stay-at-home orders, border closures or restrictions and similar mandates, caused many businesses to curtail or cease normal operations. Despite this, the Company has weathered the storm, obtained new business, generated good financial results and had a number of accomplishments to be proud of in 2020. The Company has become stronger as a result of the pandemic thanks in large part to the dedication and determination of its team and leadership of its senior executive team and directors through the crisis. The Company developed industry-leading safety protocols, and worked with the government to ensure a safe return to work and safe environment for its team. The Company also embraced opportunities that arose from the pandemic such as manufacturing ventilator stands and medical grade face masks to help its employees, customers and local communities, which all contributed to keeping people safe. The Company's safety and quality records also continued to improve as the Company continued to drive the importance of a safety culture. The Company had also engaged a third party consultant to assist it in refining and updating its sustainability strategy, and commenced the rollout of that strategy in the latter half of 2020.

In terms of financial performance, 2020 revenues were down from 2019 due to the COVID-19 Pandemic, and were approximately \$3.4 billion and adjusted net income<sup>1</sup> was approximately \$47 million. However, excluding the impact of the COVID-19 shutdown, financial performance was among the best in the Company's history, partially driven by the high volumes in North America and the strong focus on corporate wide cost savings and operational performance. The volume recovery has been beneficial to the Company but the strong demands have also put pressure on the Company's operations and supply chain - issues the Company continues to navigate through. Operationally, the Company continued to quote new business and launch new products coming out of the COVID shutdown period, thereby enduring through the challenges faced by the pandemic. The Company continued to recruit and expand on its lean expertise to execute on its lean strategy. The Company announced approximately \$300 million in new business awards in 2020, expected to be launching over the next several years, from a broad variety of customers (*See "COVID-19 Pandemic"*). As it relates to the Metalsa Acquisition, with diligence and determination, the Company persevered and continued the integration despite the challenges faced by border restrictions. The Company remains very excited about the Metalsa Acquisition, as it (1) helps to diversify the Company's customer base adding significant revenues with two key customers, (2) transforms its steel metal forming group from a North American to a global player, (3) adds engineering capabilities in the heart of Germany to support both European and North American customers, (4) enhances lightweight, multi-material joining technologies, and (5) establishes capacity in needed areas.

In November, 2020, using NanoXplore Inc.'s patented technology and the Company's engineering team, the Company announced the development of its Graphene and Nylon Coated Brake Lines, which were approved for use on one of its customer's products to convert a current production of standard brake lines to the more durable graphene enhanced lines to allow for greater abrasion protection, improved chemical resistance, better performance under high temperatures, a 25% weight reduction compared to standard brake lines and an improvement in safety.

The foundation of the Company's culture rests on 10 Guiding Principles, a guide to who we are and who we want to become. In late 2020, the Company made some changes to its 10 Guiding Principles to reflect its continuing evolution, including embedding sustainability officially into the Company's DNA by adding a new principle: "Leave it better." The Company also changed its principle on diversity to be "we are a diverse and inclusive team" to ensure that diversity and inclusion are part of the Company's core. (*See "Description of the Business: "COVID-19 Pandemic" and "The Company's Vision, Mission, Culture and Business Strategy" and "Risk Factors".*)

The Company finished 2020 with approximately 15,800 skilled and motivated people in 57 locations (including sales and engineering centers) in Canada, the United States, Mexico, Brazil, Germany, Spain, South Africa, Slovakia, China and Japan.

### **Significant Acquisitions and Significant Dispositions**

The Company has made several major acquisitions since 2001 (see "*History*" above). In the past several years, the Company has grown its business primarily organically. In early 2020, the Company completed the Metalsa Acquisition described above. While an important step in its growth, such acquisition is not a significant acquisition for the Company, within the meaning of securities law. The Company made no "significant acquisitions" within the meaning of securities laws within the reporting period.

### **Current Financial Year**

In 2021, the Company continues to emphasize its culture in terms of its commitment to people, service, lean thinking and entrepreneurship. It also increased its investment in NanoXplore Inc. by purchasing one million shares in February 2021, so that it now owns an approximate 22% interest in NanoXplore Inc. (the decrease in ownership percentage was as a result of dilution). Amid the ongoing COVID-19 Pandemic, with the commitment and dedication our global team has shown during these difficult times, the Company continues to see the Martinrea team rise to the occasion, implementing protocols to keep people safe. Through hard work and collaboration, the Company continues to sustain and grow. The Company expects to continue to develop as a leading automotive and industrial supplier in 2021 navigating the issues created by the COVID-19 Pandemic, and beyond as it pursues its strategies as described herein and in the Management's Discussion and Analysis of Operating Results and Financial Position for the year ended December 31, 2020. (*See "Additional Information" and "Description of the Business and Trends: Automotive Industry – General: COVID-19 Pandemic".*)

## 4. DESCRIPTION OF THE BUSINESS AND TRENDS

### Overview

As noted above under “*About Martinrea*”, Martinrea is an increasingly diversified and global supplier, engaged in the design, development and manufacturing of highly engineered, value-added Lightweight Structures and Propulsion Systems focused primarily on the automotive sector.

### *Reporting Segments*

The Company defines its operating segments as components of its business where separate financial information is available and routinely evaluated by the Company’s chief operating decision maker (“CODM”) which is the Chief Executive Officer. Given the differences between the regions in which the Company operates, the Company’s operations are segmented on a geographic basis between North America, Europe and Rest of the World. The Company uses segment operating income as the basis for the CODM to evaluate the performance of each of the Company’s reporting segments. The Company’s external sales by reporting segment for 2020 and 2019 were as follows:

Reporting Segment	2020 (Cdn \$ in thousands)	2019 (Cdn \$ in thousands)
North America	2,537,220	3,066,352
Europe	683,876	672,131
Rest of the World	168,778	132,670
Eliminations	(14,588)	(7,494)
<b>Total</b>	<b>3,375,286</b>	<b>3,863,659</b>

### Automotive Industry - General

#### *Automotive Industry Highlights and Trends*

Martinrea competes primarily in the light vehicle segment of the global auto parts industry with a principal focus on North America (Canada, the United States and Mexico), and also has operations in Europe and Asia. Martinrea operates in a business which is impacted by various economic, industry and technological trends. The automotive industry remains one of North America’s and the world’s largest and most competitive industries, and has faced many challenges (for example, the automotive recession of 2008 and 2009), and continues to face similar and different challenges, including the current COVID-19 Pandemic (see “*COVID-19 Pandemic*” below and “*Risk Factors*”). The global automotive industry is a complex and increasingly high-tech industry, sensitive to a broad range of macro-economic and political factors. A number of important developments and trends have impacted the automotive sector in the recent past and are expected to continue into the future. Some of these trends are discussed below.

The Company believes it is well positioned to capitalize on the opportunity these challenges bring due to its geographical footprint, lightweighting, propulsion systems and engineering capabilities and focus on innovation. (See “*Description of the Business and Trends: The Company’s Vision, Mission, Culture and Business Strategy*”.)

#### The Position of an OEM Supplier in the Automotive Industry

The automotive industry is and remains one of the largest and most competitive industries in the world. Several developments in the automotive industry substantially affect the business environment for independent suppliers, including: (i) ongoing pressure on suppliers to reduce prices; (ii) the continually increasing participation by suppliers in the design and engineering of automotive components and complete vehicle subsystems at an early stage of the design process; (iii) the continuing consolidation of the OEMs’ supplier base; (iv) the outsourcing of components, assemblies and complete systems from OEMs to sophisticated, independent suppliers; (v) the expansion of foreign-owned OEMs in North America and their increased emphasis on North American-sourced content; (vi) platform consolidation; (vii) the increased focus on electrification; fuel efficiency and emission reduction leading to trends in lightweighting; and (viii) the growth of automotive production in emerging markets along with an emphasis

on global platforms. In addition to increased supplier dependency, OEMs have come under substantial regulatory and competitive pressure to simultaneously improve vehicle safety and reduce vehicle weight. Substantive weight reduction is expected to ensue as OEMs continuously develop uses for higher strength-to-weight materials and improved manufacturing processes, as well as an increased emphasis on lighter weight materials such as aluminum and higher strength steels in response to the aforementioned pressures.

### Lightweighting

Participants in the automotive industry are constantly searching for ways to reduce vehicle weight, through lighter or alternative materials (such as aluminum or higher strength steels) or better processes. This is called lightweighting and is a significant trend in the industry. Methods such as hydroforming or hot stamping can be used to manufacture parts and assemblies from steel which are lighter than those produced by other methods of production such as conventional stampings, while maintaining or even improving strength. The same goes for advanced casting processes, which can produce lighter castings by gauge reduction or more complex shapes with an integration for additional functionalities. This trend is also manifesting itself in the increased use of materials such as aluminum, plastic, advanced high-strength steels (“AHSS”) and other materials, which are designed to reduce vehicle weight and increase fuel efficiency. Industry participants, such as Martinrea, that can capitalize on this trend can enjoy significant competitive advantage. Martinrea believes that its lightweighting strategy makes it a market leader in this area.

The aforementioned technology areas and lightweight materials are synergistic with clean and sustainable development and are a key facet of the Company’s technology cadre with green technology developments such as capless refueling systems, increased use of AHSS/Ultra High Strength Steel stampings, Infinicote®, and AluThinFer®. The Company’s investment in NanoXplore is consistent with the lightweighting possibilities of using graphene in its products.

Martinrea recently developed a Graphene based brake line which has been approved by one major OEM in North America and we are currently pursuing approvals with another major OEM. This helps improve the performance for corrosion, abrasion and also reduces weight by approximately 25% to the baseline design.

Lightweighting is primarily being driven in the near-term by more stringent fuel economy and emissions standards, with longer-term demand being driven by the relative growth in electric vehicles, which have a heightened need for reducing weight. Lightweighting is a key strategy to address these tightening fuel economy and emissions standards, as a reduction in vehicle weight can lead to an improvement in fuel economy. Furthermore, the average battery electric vehicle (“BEV”) is heavier than the average internal combustion engine vehicle due to a combination of battery weight and additional electronics. In addition to being heavier, electric vehicles have a heightened need for lightweighting as decreasing vehicle weight can increase vehicle range. BEV driving range can also be adversely affected by temperature extremes, furthering the push towards lightweighting. In part as a consequence of the above factors, management believes OEMs will continue to seek to reduce the weight of light vehicles, primarily by reducing the volume and weight of steel used in automobile manufacture, to be replaced with lightweight materials such as aluminum, high tensile strength steel, plastics and composite material. The bulk of a light vehicle’s weight is steel and aluminum, areas in which the Company specializes.

### Emissions Reduction and Fuel Efficiency

Because of government regulatory requirements in North America, Europe and Asia, consumer demands and increases in fuel costs over the years OEMs have increasingly focused on fuel efficiency. Often, this focus is on alternative fuels, the development of hydrogen fuel cells, “hybrid” vehicles, diesel requirements based technology, battery-assisted devices, or more efficient internal combustion engines. Utilization of lighter-weight products can reduce overall vehicle weight, can increase fuel efficiency and lower the cost of driving a vehicle.

Along with fuel efficiency, the automotive industry is increasingly focused on emission reductions. New clean air regulations are passed frequently and automotive products are continuously tested for durability and emissions. Guidelines have become increasingly stringent as governments and consumers have become more focused on issues such as climate change, greenhouse gas emissions, and pollution, and automotive suppliers that can produce products that reduce emissions can have a significant competitive advantage.

### Electrification

These stricter emission regulations, electric vehicle requirements, lower battery costs, more widely available charging infrastructure, and increasing consumer acceptance are creating new and strong momentum for penetration of electrified vehicles in the coming years. As a result, automobile manufacturers are becoming increasingly focused on the development and manufacture of hybrid, electric and other alternative-energy vehicles, as well as increasing the efficiency of the internal combustion engine. The speed of adoption will be determined by the interaction of consumer demand (partially driven by total cost of ownership), regulatory push (at the regional and local level), and may vary depending on consumer location and infrastructure. Through continuous improvements in battery technology and cost, local differences will likely become less pronounced, and electrified vehicles are expected to gain increasing market share from conventional vehicles over time. With battery costs potentially decreasing over the next decade, electrified vehicles may achieve cost competitiveness with conventional vehicles, creating one of the most significant catalysts for market penetration, based on economical alternatives.

At the same time, it is important to note this trend could take a long time to materialize in a meaningful way and electrified vehicles include a large portion of hybrid electrics, which means that the internal-combustion engine will likely remain very relevant for some time.

### Shift in Demand from Passenger Car to Light Truck (including SUVs/CUVs)

The North American light vehicle market continues to experience a shift in consumer preference from traditional passenger cars to light trucks (including SUVs/CUVs). The Company believes this trend is driven by consumer preference for the high seating position and flexible cargo capability of light trucks (including SUVs/CUVs) versus passenger cars, combined with comparable fuel economies, particularly between passenger cars and CUVs.

### Autonomous Vehicles

Advanced driver-assistance systems (ADAS) will likely play a role in paving the way for driverless vehicles. Regulation, given the safety issues raised, and consumer acceptance will also represent additional hurdles for autonomous vehicles. However, once these challenges are addressed, autonomous vehicles may offer tremendous value for consumers and certain segments of the population (for example, the ability to work while commuting, elderly population).

The Company believes its product offerings are critical to all vehicles, autonomous, semi-autonomous or not.

### Connectivity and Shared Mobility

Connectivity (the way we connect with the outside world) is expected to increasingly play a role in the automotive industry, as the car becomes a vehicle for drivers and passengers to use their time in ways other than driving and for personal activities. There is speculation on the extent of the impact on vehicle demand given shared vehicles. In recent years, ridesharing services have reshaped the landscape of personal travel, as consumers found a convenient and cost-effective alternative to public transit, traditional taxis and personal vehicle ownership. While there may be more demand in densely populated areas for shared vehicles, which might result in a decline in private-vehicle sales, a decline may be offset by increased sales due to wear and tear on shared vehicles. Furthermore, this trend has recently slowed as a result of the COVID-19 Pandemic, which may be changing consumer preferences back to avoiding rideshare and other shared transit alternatives.

### Pricing Pressure

Automotive suppliers consistently face a major challenge through continuing pressure by their customers to lower prices. OEMs have placed and continue to place significant downward pricing pressure on the supply chain. Such pricing pressure has manifested itself in various forms, including: one-time price reductions requested by OEMs; long-term supply agreements containing pre-determined price reductions at specified intervals; and the assumption of design, engineering, prototype, warranty and tooling costs by suppliers. This downward pressure on the price of automotive parts has been coupled with increased production, labour, materials and overhead costs. Automotive suppliers have, as a consequence of lower per part margins, been forced to consolidate operations or to combine with

each other in order to leverage economies of scale and operating synergies. Many automotive suppliers have experienced financial distress resulting from customer pricing pressures and other automotive related factors, such as higher input costs, legacy costs and volume reductions (see “*Risk Factors*”). Supplier bankruptcies have occurred in the past, and further bankruptcies may occur in the future. Pricing pressure continues and will continue to be a feature of the automotive supply base.

### Outsourcing

Pricing pressures experienced by OEMs have led them to accelerate in many cases the outsourcing of automotive parts and systems. The extent of outsourcing is dependent upon a number of factors. It depends principally upon the cost, quality and timeliness of external production relative to in-house production by OEMs, but it is also influenced by other factors such as the degree of unutilized capacity in the manufacturing facilities of the OEMs and collective bargaining agreements (lower labour, pension and benefit costs may lead to less outsourcing in certain areas and even some insourcing where cost effective). However, given the declining capacity and the increased capacity utilization at many of the OEMs, and the increased specialization and efficiency of many automotive parts suppliers, insourcing may be limited in scope and to certain areas, such as module assembly.

Historically, virtually all automotive suppliers manufactured and shipped parts to OEMs in accordance with design and engineering specifications supplied by OEMs. OEMs generally purchased the same or similar parts from several suppliers, obtained a substantial number of parts from their affiliated parts manufacturers and performed a significant portion of sub-assembly in-house. In addition, design and quality control testing was generally performed by OEMs themselves. OEMs now generally expect their suppliers to participate in the design and engineering of parts and to assume even greater responsibility for total quality management and warranty. Companies that supply components, assemblies, modules or systems directly to OEMs, and which design, engineer, manufacture and conduct performance validation and quality control testing, are referred to in the automotive industry as “Tier One” suppliers. Tier One suppliers generally have the capability to supply these components, assemblies, modules or systems to OEMs on a just-in-time sequential basis, which enables OEMs to reduce inventory levels. In producing components, assemblies, modules or systems for OEMs, Tier One suppliers may rely on other suppliers (referred to as “Tier Two” suppliers), for the supply of input components or parts. Tier Two suppliers and their suppliers (referred to as “Tier Three” suppliers) generally have specific technical or engineering skills or a niche product that the Tier One supplier would purchase for inclusion in an overall product for sale to an OEM. Tier Two and Tier Three suppliers are generally not a competitive threat to Tier One suppliers and they often partner together on contracts as their skills are complementary.

The North American market for outsourcing of automotive parts, components and assemblies has traditionally been over US\$250 billion per year.

### Engineering Design and Development

Engineering Design and Development (“ED&D”) is the process of designing, analyzing, prototyping and validating a component, assembly or module in an iterative manner until it meets all targets regarding performance, weight, quality and functionality. Often OEMs and Tier One suppliers will develop a component for a number of years before it is ultimately included in the mass production of vehicles. With the ever-increasing need to update changes in styling and design, OEMs need to constantly reduce the design and development cycle time to ensure ultimate market success. The cost of ED&D including component prototyping and validation for OEMs can be a substantial part of the overall vehicle cost. From the perspective of OEMs cost may be reduced if Tier One and other relevant suppliers are involved in the development of components, particularly in global programs where dissimilar or unique regional requirements often cause a proliferation of variants within a single platform. From the suppliers’ perspective, early involvement can assist in the award of longer term contracts and greater attention paid to commonality and design for manufacturing (which results in cost savings). Suppliers such as the Company now provide significant simultaneous engineering support, up to and including complete design responsibility.

### Consolidation of Suppliers

Consolidation among automotive suppliers has occurred, is continuing, and is likely to continue as OEMs have increasingly entered into long-term supply contracts with the most capable and financially viable suppliers, and appoint them as the single source supplier for a particular part or component throughout the duration of the program.

Increasingly, the OEMs' criteria for selection include not only price, quality, reliability and responsiveness, but also certain full service capabilities, including design, engineering and project management support. Suppliers who receive superior ratings from an OEM customer are considered for new business, whereas those who do not obtain such ratings may continue their existing contracts, but are unlikely to be considered for future new business. The long-term single supplier arrangements with OEMs often provide for, among other things, price concessions over the supply term. The competitive environment has caused these pricing pressures to intensify and Tier One suppliers are under increasing pressure to absorb more engineering costs. A Tier One supplier that is competent and effective in ED&D often has an advantage in being awarded contracts for large volume manufacturing.

Virtually all North American operations of foreign-owned OEMs currently purchase a significant number of parts from their foreign-based suppliers. Foreign-owned OEM production in North America has increased and is expected to increase in relation to vehicle importation, as facilities reach production capacity and new facilities have commenced production. With increased emphasis on North American content provided in trade agreements, and in particular the USMCA, foreign-owned OEMs are expected to rely on increased out-sourcing to increase the North American content of their vehicles.

#### Consolidation of Vehicle Platforms

In recent years, OEMs have focused on consolidation of vehicle platforms. Platform consolidation occurs when the same vehicle platform or structure is utilized for multiple models. If the same basic structure is utilized for multiple models, the cost of setting up platforms can be shared over a broader base, thus leveraging economies of scale, reducing overall cost to the OEM, allowing them to remain competitive, differentiate their vehicles for different markets; expand the number of market segments in which they compete; respond to lifestyle trends; and meet the tastes of consumers. The prevalence of global vehicle platforms provides Tier One automotive suppliers increased opportunities to supply larger volumes of products which may be common across multiple vehicles built from the same platform. However, the consolidation of platforms to fewer global platforms may increase warranty/recall risks and amplify the impact on suppliers of failing to win programs built from global platforms. Furthermore, there may be an increasing trend to localization of content.

#### Emerging/Asian Markets

Much of the growth in the automotive industry in the recent past and likely in coming years is anticipated to be in emerging markets outside of North America and Western Europe, in particular, in Asia. The Chinese and Indian markets have experienced rapid growth in recent years, and automotive production has increased substantially and is generally expected to continue to increase, albeit at a reduced pace, over time, although current challenges such as the COVID-19 Pandemic makes any projections uncertain. This trend is anticipated to continue, and these markets are expected to be a growing market for consumers and producers. Similar growth is occurring in other areas such as Eastern Europe. Anticipated growth in Brazil has not materialized as that country faces a variety of economic and other challenges, in addition to the COVID-19 Pandemic. Along with the internationalization of the automotive industry, OEMs are developing world-wide platform strategies, to maximize commonality and to achieve efficiencies. Tier One suppliers are developing strategies to deal with the opportunities and challenges relating to emerging markets, either with a view to setting up plants in certain regions strictly to produce for those regions; to build plants locally in order to service OEMs on a world-wide platform basis; to establish strategic relationships with international sources for more cost-competitive components; to develop regional strategies that are less likely to be threatened by international competition; or to build strategic relationships with suitable international partners.

#### Environmental Regulation and Government Regulation

As discussed above, the automotive industry is influenced by a number of trends and regulations, including those relating to the reduction of the carbon footprint of vehicles and the enhancement of passenger safety. The Company is subject to a variety of federal, state, provincial, local and foreign environmental laws and regulations, including those related to greenhouse gas ("GHG") emission reductions and fuel efficiency measures. These laws, regulations and guidelines and the enforcement thereof, have become increasingly stringent as governments and consumers have become more focused on issues such as climate change, GHG emissions, and pollution, and automotive suppliers that can produce products that reduce emissions can have a significant competitive advantage. New environmental regulations are passed frequently, and automotive products are continuously tested for durability, GHG emissions and other environmental concerns. The Company's operations and facilities are also subject to



extensive laws and regulations relating to the transportation, recycling, treatment, storage and disposal of various industrial chemicals and metals, discharges of pollutants to the land, air and water, and the remediation of contaminated soil, surface water and groundwater, as well as laws and regulations, with respect to workers' health and safety and labour standards. (See *"Description of the Business and Trends: Sustainable Business: Environmental Sustainability"*.)

Other government regulation that impacts the automotive industry includes greater governmental regulation seeking to improve vehicle safety, vehicle reliability and vehicle recyclability; labour standards; occupational health and safety; waste disposal; toxic substances; land use; and environmental protection, as well as government enforcement of antitrust and competition laws, particularly by the United States Department of Justice and the European Commission.

The Company believes it is well positioned to capitalize on the trends changing regulation brings, given its expertise in lightweighting and propulsion systems which will enable it to have content on vehicles, including electric vehicles. However, there can be no assurances that the Company will be able to adapt to the changing regulatory environment and the applicable laws, regulations and policies and various other governmental regulations (see *"Description of the Business and Trends: Automotive Industry General - Metal Forming (Steel and Aluminum), Machining and Assemblies"* and *"Sustainable Business"* and *"Risk Factors"*).

### Sustainability

Sustainability is a trend that has been influencing the automotive industry. Sustainability can be defined as the social, environmental and governance policies governing how an organization contributes, or aims to contribute in the future, to the improvement of economic, environmental and social conditions, developments, and trends at the local, regional or global level. While this is a trend in general, customers, employees and investors are increasingly interested in working with companies that are implementing sustainable business strategies. The Company believes that Making Lives Better by being positive contributors to our communities is a key aspect of the Company's Vision and Mission and at the heart of its business strategy. (See *"Description of the Business and Trends: Sustainable Business"*.)

### Trade Policies and Resulting Impact (USMCA, Brexit and the CPTPP)

Government trade policy affects the industry and the automotive supply chain, including in recent years the ratification of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership ("CPTPP") by Canada without the United States, the renegotiation of the North American Free Trade Agreement ("NAFTA") resulting in the USMCA and global trade issues between the United States, Canada and China, and Brexit (which have, in some cases, resulted in or may result in tariffs, border adjustment taxes or changes to rules of origin). Global trade issues (including disputes and tariffs and changing trade agreements) have created uncertainty in the automotive industry, which has affected valuations for some companies (see *"Risk Factors"* and *"Changes in Law and Government Relations"*). These issues, as well as continuing uncertainty surrounding the COVID-19 Pandemic, could impact the automotive industry generally and the Company's business.

Trade policy and increasingly the use of international tariffs in regard to automobiles and automotive parts have become a major area of negotiation in the past three years and are anticipated to continue to be so in 2021 and in future.

### Production Volumes

At the industry macro level, despite concerns in the markets about the impacts of Brexit, trade policies, geopolitical issues, electric and autonomous vehicles, the COVID-19 Pandemic and other matters, the Company believes that the automotive industry remains healthy in North America and China, with some challenges in Europe and Brazil, generating fairly strong sales and production volumes overall (albeit with some inventory adjustments from some customers and general seasonality).

Automotive production levels have a significant impact on the Company's results. In 2020, light vehicle production volumes for North America were down significantly from previous years, because of the COVID-19 Pandemic and the shutdowns resulting from it. Automotive production levels in North America are generally expected

to improve from 2020 levels in 2021 and going forward. There is some uncertainty about short term production levels; however automotive production is forecasted to continue to grow over time.

### COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic and recommended various containment and mitigation measures. Since then, extraordinary actions have been taken by public health and governmental authorities across the globe to contain the spread of COVID-19, including travel bans, social distancing, quarantines, stay-at-home orders and similar mandates for many businesses to curtail or cease normal operations.

As a result of the COVID-19 Pandemic, in the middle of March 2020, the Company's OEM customers essentially idled their manufacturing operations in regions around the world, other than China, where manufacturing operations were suspended in January and February, but resumed in March. Martinrea, similar to others in the automotive supply chain, followed its customers and also temporarily idled most of its manufacturing operations outside of China in March, before embarking on a phased reopening through May and June. This suspension of manufacturing operations and rapid dissipation of customer demand negatively impacted the Company's business, results of operations, cash flows and financial position in the latter part of the first quarter of 2020 and through the second quarter before rebounding sharply in the third quarter as the industry worked to replenish depleted inventory levels and meet strong customer demand levels. While the pace and magnitude of the recovery in automotive production volumes has been greater than many industry observers expected, the COVID-19 Pandemic is ongoing and the ultimate business and economic impacts of COVID-19 remain uncertain. Furthermore, pent-up demand as a result of the industry shutdown has resulted in supply chain issues causing production bottlenecks, which has had an impact on the Company's operations and financial results as it deals with elevated volume requirements from its OEM customer base.

The Company's response to the COVID-19 Pandemic has been measured, prudent and decisive with an emphasis on safety, cash conservation and enhancing liquidity. The health and safety of the Company's employees, their families, the Company's customers and communities is, and will continue to be, the Company's top priority. The Company has implemented various protocols throughout its global footprint to ensure a safe work environment, including: the use of personal protection equipment; reworking processes to provide social distancing; restricting access to facilities; enhancing cleaning and disinfecting protocols; using rotational and/or remote work schedules, where possible; and restricting travel.

The Company also took aggressive actions in March and during the second quarter of 2020 to conserve cash in response to the COVID-19 related shutdowns and lower volumes. These actions included a significant number of temporary hourly and salaried employee layoffs, temporary reductions of salaried employee base wages of 20% (50% in the case of the Company's Executive Chairman, President and Chief Executive Officer, and Chief Financial Officer), the curtailment of non-production spending and the delay of capital and tooling spending where and when appropriate. The Company also suspended the repurchase of common stock under its normal course issuer bid, which expired in August, 2020.

During the second quarter of 2020, the Company enhanced its liquidity position by exercising the accordion feature incorporated in its banking facility. The exercise was completed on April 17, 2020, and increased the revolving credit lines available to the Company by another US \$200 million (\$280 million). Further, on June 24, 2020, the Company amended its lending agreements with its banking syndicate to provide enhanced financial flexibility on a present and go forward basis. The amendment in essence provides that the Company's calculation of its most basic financial covenant, the net debt to trailing twelve months EBITDA<sup>1</sup> ratio, for the four quarters up to and including the first quarter of 2021, would exclude EBITDA<sup>1</sup> from the second quarter of 2020 and instead will be based on the annualized total of the remaining three quarters (i.e. the sum of the three quarters divided by three fourths). As a result, the impact of the COVID-19 related shutdown of the industry, and most of the Company's operations, occurring during the second quarter of 2020, would be ignored for the purpose of financial covenant calculations under the Company's lending arrangements.

During the general production shutdown by the Company's OEM customers, the Company won a contract to supply one of its key OEM customers with ventilator stands in the United States. The Company also began making medical grade masks for its customers, employees and local communities.

The Company expects to be able to continue to respond to the COVID-19 Pandemic in a measured, prudent and decisive manner with continued emphasis on health and safety, cash conservation and the maintenance of its liquidity position. The Company continues to work with all its stakeholders to address the challenges, including: its supply base to deal with their challenges, including maintaining production and safety protocols; its customers to assist with meeting production requirements and challenges, including from its supply base, as well as the development of new programs and products; its governmental and regulatory authorities to ensure safety and the economic well-being of the industry; its capital providers to ensure liquidity; and its employees to minimize the impacts of the pandemic, including a safe and healthy work environment.

The COVID-19 Pandemic is an evolving situation that continues to and may continue in the future to have widespread adverse implications on the Company's business environment, operations, cash flows and financial position and industry. The extent of the impact will depend on various factors, including the rate at which economic conditions, operations and demand for vehicles return to pre-COVID levels, any continued or future governmental orders or lock-downs due to COVID-19 or any variants, any impact on employees, or suppliers or customers of the Company or any future wave or any variants, and the potential for a recession in key markets due to the effect of the pandemic. (See "*Risk Factors*".)

### ***Fluid Management Systems***

The fluid management systems area is characterized by the design, engineering and production of products necessary to store and transport fluids for various automotive and non-automotive markets. The primary groups of automotive fluid systems are fuel storage and delivery, engine cooling and HVAC, engine oil and hydraulics (for example, brakes, power steering, transmission).

Of these systems the fuel storage and delivery system is the largest and one of the most complex. In broad terms, the fuel system consists of the fuel filler, tank assembly, fuel vapour management system, chassis lines and fuel rail. In the past, these components have been sourced individually, but in a bid to shift more of the engineering, design and supply chain management costs to suppliers, it is now common for automotive manufacturers to source the entire system to a single supplier.

Two major issues specifically impacting fuel system suppliers are next generation clean air regulations and increased durability requirements. Leading suppliers will have to focus on products meeting or exceeding increasingly stringent guidelines; regulations dictating further emissions reductions are anticipated. Thus, fluid systems manufacturers are being required to produce increasingly durable products and systems.

Significant pressure on OEMs to meet tighter emissions regulations, reduce fuel consumption and act with more environmental responsibility are fostering the introduction of many alternative fuel system technologies. The use of unleaded gasoline has been the standard since the early 1970's in North America, and both unleaded and diesel fuel are common in Europe. However, in recent years the use of alternative fuels (alcohol based gasoline, E-85, biodiesel fuel) and advanced powertrain technologies (high pressure direct fuel injection systems, hybrid electric and fuel cells) are mandating wholesale changes to the traditional fuel system status quo. In general, legislation has intensified OEM focus on fuel saving initiatives, which not only increase the challenges, but also the opportunities, for the industry. Fuel saving initiatives remain a top focus of consumers, regulators and the industry.

Electrification is an emerging area of opportunity for the Company to offer design solutions, such as engine cooling lines, for fuel management systems supporting new technology. At the same time, any changes in current technology may in future shift the demand for the Company's existing product offerings. However, the Company believes it is well positioned to take advantage of any opportunity new or emerging technologies bring. The Company believes the need for current fuel systems will continue until or unless there is a major shift in technology. (See "*Environmental Regulation and Government Regulation – Lightweighting and Electric Vehicles*".)

### ***Metal Forming (Steel and Aluminum), Machining and Assemblies***

Metal forming in the automotive industry (whether from steel or aluminum) is characterized by a broad range of products and services, including metal body and chassis modules, assemblies and parts. Metal forming parts and assemblies include chassis systems, stampings, engine blocks, transmission and body systems and finishing products. Many of these products may be stamped, cast or formed. Automotive stamped, cast or pressed parts and assemblies include body-in-white products; closures; cradles, cross-members and engine blocks; suspension links, swivel bearings and subframes and transmission housings; and a variety of other parts including bumpers, control arms, knuckles, heat shields, oil pans, exhaust systems, fuel tanks and other miscellaneous parts. The metal forming market is extremely large, and has traditionally experienced an increasing trend to outsourcing parts, assemblies and modules.

Metal stampings, roll formed and hydroformed products are the largest group of metal formed products in the automotive industry. In broad terms, many parts and systems may consist of stamped and/or hydroformed components, the production of which may include welding, laser cutting and other assembly operations before a product is finalized for the customer. In the past, components have often been sourced individually, but in a bid to shift more of the engineering, design and supply chain management cost to suppliers, automotive manufacturers are increasingly sourcing larger systems and modules to single suppliers, who in turn may outsource specific components to Tier Two or Tier Three suppliers.

Parts made from aluminum alloys have primarily one thing in common: they are lightweight. Whenever a component must be light weight, light metals are the preferred choice if they can be produced at a competitive cost. The processing of aluminum may involve a variety of technologies: casting, rolling, machining, extrusion and assembly.

Metal products contribute to the weight of the vehicle, and OEMs have come under increasing regulatory and competitive pressure to reduce vehicle weight and enhance safety through the use of more efficient and higher performing structures. OEMs and their suppliers are continuously focused on engineering component designs of lower weight, developing uses for advanced materials and creating and improving design and manufacturing processes, including hydroforming and hot stamping. Thus, OEMs are focusing on increasing use of alternative metals with higher strength-to-weight ratios such as Advanced Ultra-High Strength Steels (AHSS/UHSS), stainless steel and aluminum in the manufacturing of lighter weight components and systems. Many body-in-white, suspension and chassis parts, such as engine cradles and control arms, can be and are being manufactured with aluminum as well as steel.

The Company believes the need for the aforementioned forming and casting technologies will continue to trend upwards as vehicle performance requirements continue to rise and the trend to lightweighting vehicles continues. A hydroformed product has enhanced structural strength and torsional rigidity, at a reduced weight. There is also less waste in the manufacturing process as compared to stampings, resulting in cost savings which can be passed on to customers. Hot stamped product utilizes the highest strength steels available for automotive mass production and enables unmatched crashworthiness performance to meet the growing safety and regulatory industry requirements. Aluminum products are lighter than steel. The Company has positioned itself to exploit the lightweighting trends in all of its metal-forming operations.

### ***Industrial Applications***

Consistent with the automotive industry trend to outsourcing, industrial companies (especially transportation related) are continuously outsourcing parts production to key suppliers. Many equipment manufacturers have established that their core competencies do not include the manufacture of parts and accordingly they will no longer make parts. Equipment manufacturers, including those in the bus, farm appliance, general appliance, railroads, energy, computer, construction, forestry, mining and aerospace sectors, often will simply assemble parts into finished products and sell them. Outsourcing opportunities for parts manufacturers, especially those with efficient and technologically up-to-date operations, are substantial.

OEMs often no longer wish to invest in the substantial tooling costs historically required in the development of their parts and even assemblies. They expect to be able to prototype and “test” new parts extensively and to make various revisions to parts before final approval. Larger industrial manufacturers often expect a supplier capable of prototyping will have capabilities in forming, laser cutting, welding, bending, grinding, polishing and painting, and

various parts engineering and development skills. The use of industrial laser technology to prototype parts and to make many low cost revisions to parts has grown substantially. This growth is largely the result of cost efficiencies arising from computer programming combined with laser cutting as compared to the more traditional use of tooling.

As a participant in the automotive industry, the Company, along with its operating subsidiaries, addresses these factors and trends in its strategy and operations.

## **The Company's Vision, Mission, Culture and Business Strategy**

### ***Vision, Mission and Business Strategy***

The Company's vision for the future is: Making lives better by being the best supplier we can be in the products we make and the services we provide. The Company's mission is Making People's Lives Better by: (i) delivering outstanding quality products and services to our customers; (ii) providing meaningful opportunity, job satisfaction and job security for our people; (iii) providing superior long term investment returns to our stakeholders; and (iv) being positive contributors to our communities. The Company's vision and mission is based on four key pillars: having a high performance culture, operational excellence, superior financial management and customer satisfaction. This has internally become known as Martinrea 2.0: a four pillar strategy to create a framework to become a great company with diverse people and groups working together to be One Company.

### ***Martinrea's 10 Guiding Principles***

In pursuing its vision and mission, the Company developed, on a collaborative basis, a set of guiding principles, updated in 2020, to be communicated, reinforced and adopted throughout the Company on a consistent basis as follows:

1. The Golden Rule-Treat everyone with dignity and respect
2. We make great, high quality products
3. Every location must be a center of excellence
4. Discipline and ownership are key
5. We strive for greatness
6. We are a diverse and inclusive team
7. Challenges make us better
8. Think different
9. Work hard, play hard
10. Leave it better

The Company has continued to grow and adapt as it globalized and expanded. With these adjusted Guiding Principles, its culture will grow even stronger and continue to create a greater future.

### ***The Martinrea Culture***

The Company believes a great culture is core to a sustainable business and successful company.

The Company's culture of entrepreneurship, lean manufacturing principles, and the Golden Rule philosophy can be represented as follows:

## MAKING PEOPLE'S LIVES BETTER



This picture is at the core of Martinrea culture and its people.

The Company has been entrepreneurial in nature since inception, a company embracing characteristics of encouraging executives, general managers and all employees to act and think like an owner with a stake in the enterprise; supporting a can do attitude; promoting an ability and willingness to urgently get things done; acting to avoid unnecessary bureaucracy; developing an ability to learn from mistakes openly and constructively; with the trust of working in a team. As a Company, we embrace new initiatives every day, and we focus on new products, new technologies, new locations and new ways of doing things consistently.

The Company embraces lean thinking as part of its culture too. Simply stated, the lean thinking way is a focus on eliminating waste in all aspects of the Company's business and operations. The elimination of waste allows the Company to take out unnecessary cost, thereby making it competitive. It enables the Company to see problems it can fix in its operations more easily. It allows the Company to simplify processes to have safer, cleaner, more efficient and more sustainable workplaces. It is a culture of continuous improvement in whatever we do.

At the core of the One Martinrea culture is a Golden Rule philosophy, based on treating others the way we want to be treated, with dignity and respect, but more also. It means following the 10 Guiding Principles in our business and operations, and in how we deal with our customers, suppliers, stakeholders (lenders and shareholders) and our communities. Being lean or being entrepreneurial is not enough. These cultural elements overlap but are tied together with our Golden Rule approach. We make people's lives better in what we do, and we can only do that with a service oriented approach to our work and our colleagues at work, and all those who we deal with in our work. At Martinrea, we believe our culture is and will be a sustainable competitive advantage for the Company over the long term, and we believe it has driven the improving financial, safety, and quality performance over the past several years.

### Elements of Business Strategy

The development of the elements of the Company's strategy is based upon four pillars: the development of a high performance culture; emphasis on operational excellence; superior financial management; and customer satisfaction.

Key elements of Martinrea's strategic focus include the following:

### ***Enhance Quality***

The Company's operations have always focused on quality, and the Company continues to drive this as the basis of its strategy. Martinrea has adopted as its key strategic principle that quality processes and procedures will continue to be improved and streamlined to maintain world class status. The goal is that each division within the Company has zero product or process defects and flawless launches, to establish a standard for Tier One suppliers. The Company has received multiple product and plant quality awards over the years, including top supplier quality awards from General Motors, Ford, Chrysler (now Stellantis, commencing in 2021), Nissan, Honda, Jaguar Land Rover, Volvo, Autoliv, Delphi and John Deere.

### ***Develop Key Human Resources***

The Company is led by entrepreneurial management who expect the Company to achieve consistently high economic returns through investment in technology, equipment, manufacturing processes and people. A growing, successful company needs strong management to support and maintain growth. The Company has assembled an excellent automotive executive management team. The Company also embraces diversity and inclusion within its organization and the different perspectives diverse and inclusive thinking can bring that can give the Company a competitive advantage. The Company will continue to develop and add to its team and human resources as required, including focusing on developing and promoting from within.

### ***Further Integration of World-Class Core Technologies***

The Company embraces new technologies and materials, and has invested and will continue to invest heavily in leading edge technology, equipment and manufacturing processes. The Company maintains leading edge research and design, testing, and advanced product and process development operations. The Company has consistently developed more efficient and effective ways to utilize technology, consistent with its leadership in lightweighting of the vehicle. The Company will constantly seek to adopt and utilize new technologies, processes and equipment to assist in the development of its businesses, as it integrates world-class technologies in hydroforming, fluid systems, lasers, stamping and welding, and aluminum casting, rolling and machining and investigates and develops new technologies. The Company's investment in NanoXplore and its focus on graphene is a recent technology initiative.

### ***Organizational Structure***

The Company's operations are organized on a generally decentralized basis with common principles (goals, objectives and processes) consistent with its One Martinrea philosophy. Each product area and manufacturing facility operates on a separate, autonomous basis from an operational perspective, geared to becoming a centre of excellence in a product area. This system empowers and provides incentives to management and employees at each facility. Each facility is run by a general manager with manufacturing and production experience who has discretion, within a framework established by the Company's directors and officers, to make operational decisions relating to employment matters (including scheduling, rates of pay, hours of work, etc.), suppliers, contracts and logistics. The Company's head office and functions, located in Vaughan, Ontario and Auburn Hills, Michigan, support each facility by providing expert financial, information systems, human resources, legal, sales and marketing, business development, engineering, project management, and purchasing services. The Company also has a manufacturing system focusing on operational excellence and lean thinking to develop and utilize best practices for all its divisions on a consistent basis that is continuously updated and improved. Operating profits vary among the various facilities due in part to a number of facility-specific factors, which include but are not limited to: geographic location, labour costs, products produced, capacity utilization, production efficiency and logistics.

### ***Expand Customer Base***

The Company has significantly increased its customer base, both organically and by acquisition, and intends to continue to expand it. The Pilot, Rea International, Corydon (Icon), Depco, TKB, SKD, Honsel and Metalsa Body and Chassis acquisitions have assisted in the expansion of the Company's customer base both in scope and geographically. The hiring of senior and experienced automotive executives has also fostered business growth. The Company's technological skills and efficient production methods are especially well-suited to the outsourcing and

OEM supply business. The Company believes there are substantial opportunities to develop applications for its engineering and production skills. The Company has also provided custom parts and assemblies production for lower volume assembly lines such as bus, recreational vehicles, air conditioning systems, military applications and farm appliance manufacturing, and will continue to do so where prudent and profitable.

#### ***Expand Sales to Existing Customer Base and Geographic Footprint***

The Company continues to increase sales to its existing customer base, as evidenced by its increasing revenues. Given the magnitude and scope of the Company's manufacturing capabilities, the Company believes it is in a very good position to service existing customers with whom it has strong sales penetration and relationships but where the Company's historical production capacity limited its ability to increase organic sales growth. The Company believes it has substantial selling opportunities and, with increases in its production capacity (both organically derived and through acquisitions), it can continue to increase sales, prudently, to its existing OEM customer base over time through an increase in the number, size and scope of contracts.

The Company has manufacturing capacity throughout North America, Europe and Brazil to better service its customers, and has been building its presence in China, Japan and South Africa. The Company will continue to assess prudent growth and its geographic footprint over time. The Company's direct sales force will continue to target automotive OEM customers along with certain Tier One suppliers. The Company has the ability to work collaboratively across its product areas to provide solutions to its customers. (See "Sales, Marketing and Customers".)

#### ***Pursue Growth Opportunities and Complementary Investments***

The Company has the requisite production and design skills necessary to foster prudent and profitable growth through internally generated expansion. The Company also has available production capacity for takeover business from other suppliers, awarded by OEMs. Acquisition opportunities have been and will also be considered where the target has complementary and quality products or which may provide increased geographic penetration. The Company will also seek acquisition targets when prudent where it can add value by improving profitability with its skills, technology or decentralized approach to operations and lean management, or by rationalizing operations. The Pilot, Rea International, Corydon (Icon), Depco, TKB, SKD, Honsel and Metalsa complementary acquisitions are a testament to the Company's prudent, profitable growth strategy where acquisitions have been involved; and the Company has opened or expanded or is opening facilities in each of Canada, the U.S., Mexico, Europe and China. The TKB acquisition met three key acquisition objectives: an expanded geographic presence, particularly in the southern and central United States; greater engineering and manufacturing capability, with the acquisition of the Company's first Class A facility, hot stamping operations and module assembly business; and an expanded customer base, as the Company acquired significant metal forming business from Nissan and additional business from General Motors, Ford and Chrysler. The SKD acquisitions added geographic presence in Mexico and further capabilities in Michigan, and resulted in new and expanded customer relationships with Honda, Chrysler, GM and Ford. The Honsel acquisition also achieved three key goals: it expanded the Company's geographic footprint, particularly in Europe and South America with operations in Germany, Spain, and Brazil; it added new complementary technologies which include low pressure and high pressure aluminum casting, rolling and machining capabilities; and it expanded the customer base to include more Daimler, Jaguar Land Rover, Volvo, Volkswagen, BMW, PSA, Scania and ZF work, as well as more work from the Company's existing large customers Ford and Chrysler. The Metalsa Acquisition achieved goals of enhancing and diversifying the geographic and customer reach of the Company's Lightweight Structures group, providing additional engineering capability in Europe.

The Company is also pursuing growth opportunities through other strategic relationships. For example, it is collaborating on a worldwide platform for engine cradle and rear cross member assemblies for General Motors with Shanghai Huizhong Automotive Manufacturing Company (SHAC) and entered into a strategic relationship with Millison Die Casting, a Chinese manufacturer and distributor of aluminum casting products for the automotive and telecommunications industries to further expand its capabilities as a global supplier of aluminum castings, with the ability to work together with Millison in the Chinese market. The Company anticipates that such relationships may provide opportunities for broader geographic penetration (e.g. in China) and product capability in the future.



## Products

The Company manufactures a wide array of products, assemblies and systems in the automotive sector, including the parts and assemblies referred to in the text, which accompanies the graphic below:

### *Engine and Transmission*

Engine Blocks, Transmissions, Cases, Housings, and Ladder Frames  
Engine/Transmission: Oil Coolers, Hoses, Tube Assemblies  
Engine/Transmission: Oil Fillers, Tubes, Indicators  
Oil Pick-Up Screen/Pipe  
Heater Hose Inlet/Outlet  
Electric Motor Housings

### *Modules*

Front Horizontal  
Rear Suspension  
Front Vertical

### *Exhaust*

Mufflers  
DPS Lines  
EGR Tubes  
Air-injection Tubes  
Exhaust Manifold Tubes

### *Fuel*

Fuel Filler Necks  
Capless Refueling Systems  
Fuel Tank/Sender Assemblies  
Vapor Assemblies/Canister Hoses  
Fuel Line Feed/Return Assembly Systems  
Fuel Lines/Hoses  
Graphene Enhanced Products

### *Body & Chassis*

Frame Rail Assemblies  
Class A Surface Stampings  
Structural BIW Components  
Suspension Arms & Links  
Engine Cradles  
Centre/Rear Crossmembers  
Suspension Twist Axles  
Roof Assemblies  
Door Intrusion Beams  
Bumpers  
Radiator Support Assemblies  
Trailer Hitches  
Dash/Plenum Assemblies  
Wheelhouse Assemblies  
Roll-Formed Rockers/Headers  
Appliqués  
Belt, Upper Reveal, Roof Ditch, D-Line & Other Exterior Decorative Molding  
Battery Trays/Housings  
Aluminum/Steel Shock Towers, Control Arms and Knuckles

### *HVAC*

Air-Conditioning Lines  
Heater Core Inlet/Outlet Assemblies

### *Power Steering & Brakes*

Brake Lines/Assemblies  
Power Steering Lines/Assemblies  
Power Steering Oil Filler, Tubes/Indicators  
Graphene Enhanced Brake Lines



## Operations

### *General*

Martinrea is a lightweighting company and is an increasingly diversified and global supplier, engaged in the design, development and manufacturing of highly engineered, value-added Lightweight Structures and Propulsion Systems. It also produces products for transit, recreation and military vehicles (as well as other industrial applications). For a general description of the Company's operations, on a plant by plant basis, see "*Facilities*" as set out in the attached Appendix "B". The Company's design, engineering and production capabilities produce high-quality products and solutions, including Lightweight Structures and Propulsion Systems.

The Company believes its operating strengths stem from its ability:

- to provide customers with complete services including conceptual product design and development, prototype, validation and production capabilities to produce assemblies, systems and products according to requested specifications;
- to utilize a prudently lean management style to create production efficiency and the ability to offer products at competitive cost;
- to satisfy the manufacturing requirements of just-in-time customers who have extremely tight production schedules requiring immediate delivery of products; and
- to be innovative with production and manufacturing techniques and products.

### *Research and Development (Innovation) and Intellectual Property Rights*

Management believes the Company's ability to develop new technology, products and manufacturing processes and its engineering and design capabilities will be key factors in continuing to successfully pursue future business opportunities and in differentiating itself. The Company's research and development activities are closely tied to both customer-driven developments and solution-generating activities through improved design developments and manufacturing processes. In pursuing these objectives, the Company believes it has developed considerable expertise, which includes technical knowledge, design experience, a leading engineering team, a leading research and development group and advanced computing tools. The Company employs computer programmers, research and development personnel and engineers who constantly update products and manufacturing systems and processes. To help drive innovation, in 2017 Martinrea moved to a new 108,200 sq. ft. technical center in Auburn Hills, Michigan to combine its U.S. based sales, product engineering, purchasing and growing vehicle lightweighting research and development activity into a single, state-of-the-art facility in the Detroit area.

The Company's prior development activities have resulted in a variety of new or improved components, assemblies, equipment, tools, operating processes and proprietary technologies. Examples of the Company's proprietary technologies include: capless refueling systems and the tubing product families of P-CAP® (Pilot Conductive Anti-Permeation), E-P-CAP® (Elastomeric Pilot Conductive Anti-Permeation), RE-P-CAP® (Reinforced E-P-CAP®), X-PERM® (low cost, high performance 5 layer construction); and P-TEC®; ZLT® (Zero Leak Technology high pressure fittings); Infinicote®/Martincote® (a range of environmentally friendly, low cost, corrosion resistant coating for steel, and stainless steel, which was nominated for a PACE award); the development of AluThinFer®, a thermal coating of cylinder linings in aluminum engine blocks, allowing the pistons of a combustion engine to run directly in the aluminum cylinder housing without cylinder holdings of cast iron needed to be cast into the engine block; the use of microspray to enhance the life of aluminum moulds; and certain approaches to metal joining techniques, hydroforming, space frame manufacturing and the combination of steel and aluminum products in assemblies.

The Company has been actively investigating integrating graphene into its current product portfolio as well as new products. There are multiple R&D projects in various stages of development, and some of our customers have expressed interest in the new graphene technology. In November 2020, along with the Company's investment in NanoXplore, using NanoXplore's patented technology and the Company's engineering team, the Company announced

the development of its Graphene and Nylon Coated Brake Lines, which was approved for use on one of its customers' products to convert a current production of standard brake lines to the more durable graphene enhanced lines. The Company believes that the use of graphene products will improve the Company's efforts to make lighter and stronger products.

The Company holds certain intellectual property rights such as patents, trademarks and copyrights, and uses them in the course of its business. The Company also licenses technologies to third parties and is licensed to use technologies owned by third parties. While, in the aggregate, rights which are licensed to or by the Company are considered important, the Company does not believe that loss or termination of any particular right would have a material adverse effect on its business.

An ongoing focus of Martinrea's metallics operations is to reduce the high capital requirements common to the Company's industry, specifically through building capital which is flexible enough to be easily and inexpensively re-deployed at the end of a product life cycle. By investing now in welding and assembly lines with common footprints, simplified architectures, and fast tool-change capability, the investment requirements for both new and replacement business can be reduced over time. This focused activity will lead Martinrea to be more competitive for future business awards, streamline its plants with common equipment, and reduce the cash flow requirements for launching new business as its metallics plants are converted to the flexible welding architecture over time.

The Company is intensively pursuing aluminum structure parts in HPDC for body-in-white applications. The potential exists to develop single piece structural components as opposed to the conventional multi piece steel assemblies used in the market today.

The trend towards electro-mobility is also reinforcing the need for lightweight design, as the very high weight of batteries and electric motors needs to be compensated for. Furthermore, electric motor housings and battery and electrical/electronics boxes offer new opportunities for castings and aluminum components, as they are sometimes very complex with internal cooling ducts which require specialist casting and core production know how. These trends are opening up prospects for Martinrea to capture additional market potential with trendsetting ideas.

### **Commitment to Quality**

Quality is a lynchpin of the Company's strategy and a fundamental principle. The Company recognizes product quality is essential to remain competitive and achieve customer satisfaction. In this regard, efforts are focused on reducing manufacturing process quality variation through various techniques, including review of engineering processes, statistical analysis of quality variances and quality control best practices. These steps assist in ensuring quality of production, which is essential to the success of the Company, remains high. The Company has received numerous quality awards from a wide variety of customers.

### **Capabilities**

In addition to its research and development capabilities, the Company has the capability to provide a full array of services for its customers. The Company has the capability to manufacture an extremely broad range of products, including as a result of the needs of the COVID-19 Pandemic, ventilator stands and personal protective equipment such as masks. The Company's broad range of capabilities can be summarized as follows:

*Engineering* - Martinrea has a talented advanced engineering group with an extensive range of skills in the design and engineering of new products and Lightweight Structures or Propulsion Systems. Large engineering centers are located in Auburn Hills, Michigan, Bergneustadt, Germany and Meschede, Germany along with significant engineering which occurs at the facility level. The Company has mechanical and design engineering capabilities, with the ability to design both tools and parts and the capability to work with various CAD and CAE systems. The Company is able to communicate electronically with the customers' engineering departments to relay and receive data in a real time environment. Through all of these capabilities the Company is able to provide customers with a broad range of engineering skills.

*Prototyping* - Martinrea has prototyping proficiency over a broad range of automotive and industrial products. This diversity enables the creation of high quality samples for products ranging from simple parts to complex assemblies. Expertise in prototyping includes automotive and bus frame assemblies, hot stamping products, capless

fuel fillers, metal gas tanks, various seat assemblies, hydroformed products such as tube rails and engine cradles, engine blocks, aluminum parts and a variety of fluid management systems.

*Testing* - Martinrea has ISO9001 and ISO17025 A2LA accredited in-house testing services. Its broad range of capabilities include fatigue, metallurgical, mechanical, fuel application, environmental, coatings, corrosion, chemical, electrical and drop tower testing. The engineering and technical centres engage in other activities to ensure world class operations within Martinrea including product, process and equipment standardization, failure analysis and research and development.

*Materials* - Martinrea is continually developing new material technologies to meet both customer and government requirements. Developments in environmentally friendly coatings to replace traditional material technologies with unique cost effective solutions have strengthened the Company's advantage in the market. Combined with advanced analytical testing and a broad range of expertise, the Company is able to address the needs of the market on a timely basis. The Company has deep expertise in many materials, including steel, aluminum, plastics and special materials such as carbon fiber and graphene, through its ownership interest in NanoXplore Inc.

*Fluid Management* - Martinrea has developed advanced technological solutions to maximize the free space within the cavity of the frame, cross members and supports. A leader in fluid management systems, Martinrea delivers complete solutions including engine and transmission, fuel storage and delivery, power steering and brakes, exhaust and emissions control, and HVAC (heating, ventilation and air conditioning).

*Steel Metal Forming* - Martinrea employs the latest technologically advanced machines and processes for steel metal forming. Automated processes are implemented to reduce variation, increase production volumes, and satisfy the growing demand for products. Specialized teams in all disciplines work to meet the customers' requirements for design, verification, tooling, stamping, hot stamping, forming and automated robotic welding, assembly or surface finishing. Martinrea's metal forming capabilities include roll-forming; tube mills; end forming of tubes; swaging of connectors; blanking dies, progressive dies, stage dies, transfer dies; stamping of pre-painted material; and high pressure hydroforming processes.

*Hydroforming* - Martinrea has hydroform presses that have the versatility to manufacture a wide range of parts for the automotive and industrial sectors, including one of the largest hydroform production presses in the automotive industry in North America (8,500 tons). The Company has also produced a hydroformed chassis for General Motors, and has hydroforming capability at plants in Canada and the United States. The Company is committed to finding new applications for this technology and is working with customers to find ways to incorporate hydroforming technology into the fabrication of both existing and new parts.

*Stamping and Hot Stamping/Hot Forming* - With a focus on delivering quality products, Martinrea offers a complete range of high-end stamping machinery. Martinrea's state-of-the-art stamping facilities can cater to any required automotive and industrial stamping requirements. In its automotive operations, the Company has a full range of stamping capabilities in the 100 ton to 3,000 ton range, in multiple locations. Martinrea's stamping capabilities span a variety of metals including low strength, HSLA, Dual Phase and coated steels as well as aluminum and tailor-welded product. The Company also has two facilities with expertise in hot stamping or hot forming, a process which stamps the metal while in a heated state, which is then cooled when in the press. The hot stamping process enables the use of higher strength steels for products particularly critical in occupant safety such as pillars, roof rails, door beams and bumpers. The Ultra High Strength Steel (UHSS) used in the hot stamping process is of benefit to an industry so focused on weight reduction and under constant pressure for increased crashworthiness performance. The high strength-to-weight ratio of the UHSS used in hot stamping enables better crashworthiness performance ratings while often decreasing or maintaining weight neutrality.

*Laser Cutting* - With a long history of recognized leadership in the use of laser technologies, Martinrea integrates both flat cutting laser technology and multi-axis laser machines. Multi-axis lasers are used for both prototyping and large volume production for automotive, aerospace and industrial consumption. In addition to cutting flat metal, Martinrea provides trimming and hole piercing services for three-dimensional parts, and has tubular laser-cutting capability. Martinrea lasers have the versatility to cut a variety of metals with varying thickness and degrees of complexity.

*High Pressure Die Casting (“HPDC”)* - Martinrea is at the forefront of die casting technology. In the process of HPDC, molten metal is forced at high speed and pressure into a steel die, subsequently cooled, resulting in a raw casting. Given the short die-filling times, this procedure allows the production of large-volume, thin-walled components in mass serial production. In general, HPDC is used to produce engine blocks, transmission housings, structured parts or other components with weights between 0.5kg up to 50kg in aluminum. Additionally, a vacuum casting process allows the production of heat treatable and weldable suspension and body parts.

*Permanent Mold Casting (“PMC”)* - Martinrea has the capability to provide three different methods of the permanent mold process: (i) the gravity PMC, (ii) the gravity tilt PMC and (iii) the low pressure PMC (also sometimes called low pressure die casting (“LPDC”). In comparison with the gravity process, in the gravity tilt process, the die is tilted towards the side of the pouring opening and then slowly moved back into the upright position as the pouring progresses. In the low-pressure process, the molten metal is subjected to pneumatic pressure in the casting furnace and enters the die opposite the force of gravity through a rise pipe. The advantages of the low pressure PMC are good filling-ability for thin-walled and large area parts and hollow and pressure tight structures for air or fluid containment.

*Sand Casting (“SC”)* - In SC, molten metal enters a sand mold either by means of gravity or low pressure. This technology is generally employed for smaller and mid-sized series components due to the ability to produce finer and more complex structures. Martinrea has expertise in inorganic sand cores, which are also environmentally friendly. There are two types of mold forming processes, including (i) manual molding and (ii) machine molding. In the manual molding process, the molds are assembled manually, for small to medium volume jobs, and in machine moldings the assembly is automated. The patterns can be used repeatedly, whereas each mold is destroyed after the solidification to release the cast part. This process is very cost efficient for certain applications and small to medium volume jobs.

*Aluminum Rolling (“RO”)* - As part of its aluminum roll forming capabilities, Martinrea manufactures coiled and flat metal sheets for automotive parts, predominately interior trim, and non-automotive applications, such as frame components for mechanical engineering, suitcase shells, kitchen doors or containers used in the cosmetic industry. Martinrea intends to expand its rolling presence in the automotive sector (exterior parts as well as body parts).

*Machining* - Martinrea has significant machining capability in its operations in order to provide a fully machined part, such as an engine block, to a customer. Martinrea has leading capabilities in machining to final dimensions, bending, jointing, testing and cleaning. Deep process know-how is utilized to ensure that the components and modules delivered straight to the line also satisfy the tightest tolerances. The Company’s industrial operation also utilizes and is expanding its machining capabilities.

*Assembly* - The Company has assembly capabilities in all of its plants specializing in full suspension assemblies and chassis modules. Martinrea has expertise ranging from the completion of prototype jobs to high volume robotic assemblies. Capitalizing on the trend of automotive OEMs to outsource complete modular assemblies, where efficient and competitive to do so, Martinrea integrates the expertise of its various facilities to partner with customers in the delivery of complete manufacturing solutions.

*Tooling and Die Making* - Martinrea’s proficiency in the conversion of various parts into finished modules includes: robotic welding, staking, swage-locking, clip insertion and installation of quick connecting components. Martinrea has significant tooling expertise and capacity which assists it in obtaining and preparing for manufacturing operations. Martinrea has internal toolmaking capabilities which assist in improving tooling and processing throughout the Company and, where appropriate, produces tooling itself. Martinrea Honsel has its own tool shops in Germany and Mexico. Martinrea Honsel’s die making centre operates across the Company and ensures know-how transfers across departments and ensures consistent quality in die making. Die makers, foundry specialists, engineers and process technicians work hand in hand to make process-secure large moulds for die and permanent mould casting. The die shop is certified to all customary standards. In development, the die making centre relies on standard tools, such as CATIA and WorkNC, thus keeping the engineering and manufacturing data consistent from the CAD workstation to the machine in production. Among other things, the shop operates several 5-axis, high-speed machining centres, milling machines, drilling systems, a deep-hole boring machine, lathes, eroding machines and a spotting press. Unmanned production monitored by radio is standard.

*Program Management* - Martinrea has a complete range of program management expertise that is necessary to satisfy the increasing demands OEMs are putting on automotive suppliers, and this area of expertise is being continuously refined and strengthened. In addition to managing many sophisticated and large metal forming products, castings, and assemblies, Martinrea also manages some of the largest fluid management systems and complex chassis modules in the automotive industry.

## **Sales, Marketing and Customers**

Key components of the Company's business strategy include expanding its customer base. In addition, expansion initiatives will focus on filling capacity with profitable and complementary business. In general, the Company's organic sales have grown primarily because of customer satisfaction as a result of direct sales efforts, a strategic global footprint and overall cost competitiveness. Management believes the Company's success or growth is not dependent on any single customer.

The Company's markets are not limited geographically. The Company has focused on establishing, and has succeeded in establishing, a significant metal (steel) forming and a fluid system presence in each of Canada, the United States and Mexico. The Company has a European manufacturing presence, having opened a plant in Slovakia, and is operating its first fluid systems plant in China. Martinrea's aluminum operations are focused on Europe and the Americas, opened its first facility in China, which became operational in 2016. The Metalsa Acquisition gives it a steel metal forming presence in Europe commencing in 2020.

In 2018, the Company renewed its sales and marketing strategy to take advantage of opportunities created because of current lightweighting and electrification trends and also its capabilities to build systems (see "*Description of the Business and Trends: Automotive Industry Highlights and Trends*" above). The new commercial strategy was launched in January, 2019. In addition to its historical portfolio of products and capabilities, the Company delivers Lightweight Structures and Propulsion Systems using advanced materials in steel, aluminum, or a combination of both, as well as other materials. The goal of this focused strategy is to present not just product, but systems, solutions to customers, utilizing the Company's strengths in metal fabrication, both of steel and aluminum, and in fluid systems.

The Company's North American sales primarily represent products manufactured in Canada, the United States and Mexico. The Company's primary customers in North America are the various North American operating divisions and subsidiaries of OEMs such as General Motors Corporation ("General Motors"), Ford Motor Company ("Ford"), FCA Group, LLC ("Chrysler" or "FCA") (now Stellantis, commencing in 2021) and Nissan Motor Company ("Nissan"). The Company also has North American product mandates from other OEMs as well, including Volkswagen, BMW, Daimler, American Honda Motor Co., Inc. ("Honda") and Toyota. The Company's non-automobile customers include John Deere, Caterpillar and Thermo King. Martinrea Honsel's customers globally include car and truck OEMs (e.g. Audi, BMW, Daimler, Ford, Jaguar Land Rover, PSA (now Stellantis, commencing in 2021), Volvo Cars and VW), Tier One suppliers (e.g. Eaton, ZF) and select non-automotive customers.

Based on product sales, over 88% of the Company's customers in Europe are operating in the automotive area, of which over 80% are customers in the light vehicle segment. Martinrea Honsel's light vehicle customers comprise mainly premium OEMs followed by Tier One and Tier Two suppliers and others. Martinrea Honsel supplies approximately three quarters of Europe's premium car lines and the majority of Europe's heavy truck manufacturers.

The Company sells products and services to other Tier One suppliers both in North America and in other automotive markets, however it focuses its efforts on being the Tier One Supplier to the OEM customer. To the extent the Company supplies to such intermediary suppliers, it considers itself a Tier Two supplier. The Company believes Tier One sourcing opportunities will be generally limited in nature to strategic alliances and to joint product development opportunities. The Company has determined significant business growth opportunities exist as a result of the continuing trend for OEMs to outsource a great proportion of the supply of components, assemblies, systems and modules within the fluid management systems and metalforming markets.

The Company's sales are coordinated out of its corporate head office in Vaughan, Ontario, its Sales and Engineering Technical Center office in Auburn Hills, Michigan and its offices in Bergneustadt, Germany and Meschede, Germany. Regional and product-specific sales efforts are coordinated locally as appropriate. In 2018, the Company established a sales office in Japan. The Company's sales efforts are closely integrated with the Company's

R&D, engineering, and prototyping personnel, and are closely coordinated with the facilities that may produce the relevant product.

### Purchase Orders

The Company's sales are generated through customer requests to quote for parts/assemblies and the tools and dies to produce the parts. Purchase orders are issued per model type and are generally issued for the life of the program (unless terminated earlier). Typically, the life of the program is four to seven years, although some aluminum platforms have a life cycle of up to 10 years (or longer). Purchase orders in the industry typically do not specify a specific or minimum quantity of products the customer must buy. Customers generally order product by issuing what is called a "release" under the purchase orders covering a one to four month period which specifies the quantities to be ordered and delivery dates. Releases allow the supplier to plan for raw material and production to meet the requested quantities and delivery dates. Volume and revenue within a year can fluctuate depending on the actual customer demand for product, including for planned and unplanned customer shutdowns.

While the OEM could cease sourcing their production requirements for certain platforms (for example lack of consumer demand for a vehicle or the Company's refusal to give further price concessions), it has generally been the Company's experience once it has been awarded purchase orders for products, the Company usually continues to supply those products for the life of the model or program.

### **Suppliers and Sourcing**

The Company has purchased and continues to purchase its tooling, equipment and production materials from a variety of sources. Given its growth over the years, the Company has expanded the scope of its supplier base for raw materials, production supplies and services. The Company does not anticipate difficulties in obtaining tooling, new equipment, raw materials or other supplies, which would result in a material adverse effect on the Company's business. However, the COVID-19 Pandemic has had an impact on the supply base for the Company, and any disruption in a critical supplier to the Company or to the Company's customers, including resulting from the COVID-19 Pandemic, force majeure or other events described below could have a material impact on the Company's business. Approximately 90% of the Company's metallic raw material purchases (steel and aluminum) are either bought through OEM resale programs (that is, the OEM purchases the steel from the steel suppliers and sells it to the Company at a fixed price, with the OEM bearing the risk of price fluctuations) or adjusted based on an index (which the customers support on a pass-through basis). The Company has some limited exposure to price fluctuations on low carbon steel, stainless steel and resin mainly for the fluid management systems area. (See "*Risk Factors*".)

### **Competition**

The markets for the Company's products and services are competitive and rapidly changing. The basis on which automobile manufacturers select automotive suppliers is determined by a number of factors, which may include: price; quality; proprietary technologies; ability to supply products from multiple manufacturing sites in support of global production programs; scope of in-house tooling, manufacturing and engineering capabilities; existing agreements; historical performance; timeliness of delivery; the supplier's overall relationship with the automobile manufacturer, including service, quality and responsiveness to the customer; financial strength; and other factors. Competition has also intensified as automobile manufacturers continue to increase the number and range of vehicles built from high-volume global platforms. The number of competitors that are asked by automobile manufacturers to bid on any individual product has been reduced in many cases. The Company expects further reductions as a result of the increasing preference of automobile manufacturers to deal with fewer suppliers and reward those suppliers with earlier and deeper involvement.

The Company faces numerous competitors in its markets, which compete with the Company on a limited or broad geographic, product-specific or application-specific basis. A number of Tier One Suppliers can produce some or many of the same types of components, assemblies, modules and systems that the Company currently produces. Some of the Company's competitors may have greater technical or other resources than the Company and some may be stronger in their markets. The Company's key competitors include Cooper Standard, TI Automotive, Stant and Fluid Routing Systems (FRS) in the fluid systems area; Cosma (Magna), Autokiniton Global Group, Benteler, Gestamp, Flex-N-Gate and others in the metal forming market; various different competitors for industrial related customers; and, in the aluminum market, competitors include the "captive" OEM casters, as a significant share of

aluminum castings are still done in house by the OEMs. In-house casters are OEMs such as BMW, GM, Stellantis (formerly FCA), Daimler, PSA and VW. OEMs continue to view specific and critical components such as engine blocks, cylinder heads and suspension parts as a strategic cornerstone and as such are expected to retain casting operations in-house; however, no significant new investments are expected. The non-captive caster segment remains a fragmented market worldwide, with a very limited number of global, full-service suppliers. Varying degrees of geographic reach and technological competence exist. There is a differentiation between (i) broad technology casters, such as the Company, which cover the entire range of casting processes and offer an extensive range of automotive applications and (ii) specialized niche companies, concentrating on specific product groups. As OEMs are increasingly focused on “one-stop-shop” suppliers, which cover the entire casting process on a global scale, niche companies are only a limited competitive threat to companies such as Martinrea’s aluminum operations. Non-captive caster competitors to Martinrea include Ryobi, Nemak, Georg Fischer, KSM, Linamar, Aludyne, Shipston and the Cosma Casting Group.

The Company believes its ability to compete successfully depends primarily on its continued investment in technology, its continued emphasis on production efficiency and quality and its ability to attract and retain valuable employees. The Company believes it has the technology, production efficiencies and financial strength to continue to compete successfully in all of its current areas of strategic focus.

### **Human Resources**

As at December 31, 2020, the Company employed approximately 15,800 employees, including approximately 2,000 in Canada; approximately 3,700 in the United States; approximately 6,400 in Mexico; approximately 200 in South America; approximately 500 in Asia; and approximately 3,000 in Europe.

### **Facilities**

The Company maintains approximately 12,000,000 square feet of manufacturing space with expansion potential. A summary of the Company’s and its subsidiaries’ owned and leased manufacturing facilities as at December 31, 2020 is attached as Appendix “B”. Some additional warehouse space is utilized from time to time but not listed. Each manufacturing facility strives to be a centre of excellence for the products produced there; each facility’s principal business activity is described in Appendix “B”.

### **Information Technology and Cybersecurity**

The Company relies heavily on information technology in its operations, and may be vulnerable to cybersecurity attacks committed by criminals, hacktivists (motivation for political or ideological viewpoints) or nation-states or terrorist organizations (for example from distributed denial of service, viruses, phishing, malware, cyberespionage). For that reason, the Company is committed to ensuring that it has appropriate measures in place (including educational campaigns to educate users on safe computing practices) to reduce the likelihood of cybersecurity attacks and loss from any attack. The Company relies on third party experts where it determines it is necessary, for example for its cybersecurity strategy, that is designed to prevent, detect and respond to cybersecurity threats or to remediate prior or future cyber-attacks. The Board of Directors receives regular cybersecurity updates from the Company. The Company has in place cybersecurity controls to manage cybersecurity risk. However, given the frequency and sophistication of cybersecurity attacks, the Company may not be able to stop all cybersecurity attacks, and any failure in the Company’s controls could have a material adverse effect on the Company. The Company currently does not have any special cybersecurity insurance. (See “*Risk Factors*”.)

### **Sustainable Business**

Making lives better by being positive contributors to our communities. This is a key aspect of the Company’s Vision and Mission.

The Company is built on strong values and the Company’s goal is to run its business in a socially responsible and ethical manner, by respecting the environment, respecting the law, supporting universal human rights and contributing to communities around the world.



Since the Company's inception, the Company has implemented labour and environmental policies and practices that address these important matters, including policies promoting fair compensation and work hours, freedom of association and collective bargaining, anti-harassment and discrimination, health and safety, community engagement, respect for the environment and policies prohibiting bribery and corruption, and child and forced labour (including from its supply base). The Company retained a third party consultant to assist the Company with updating and refining its sustainability strategy to meet its own goals and purpose for an environmentally and socially responsible company. The Company commenced the rollout of this strategy in 2020.

The Company's approach to health and safety, diversity, sustainability and the like is not formulaic in response to popular trends: it is at the core of Martinrea's culture to make people's lives better. It is a given that people are to be treated the way we wish to be treated, with dignity and respect. It is foundational that a person has to be safe in our Company, physically or emotionally, that prejudice in any form is unacceptable, that opportunity is provided equally to all, and the Company strives to do that every day. It is also foundational that we as a company promote sustainability in all we do in our communities, by respecting and improving the environment (indeed, our lightweighting business focuses on reducing emissions and saving energy), by supporting good causes in communities, and by being an employer of choice. That is what sustainability means to us.

The Company's sustainability policies can be summarized as falling under five general areas, which overlap in some respects:

- Culture and Ethics
- Respect for People
- Environmental Sustainability
- Supply Chain Responsibility
- Making People's Lives Better

### ***Culture and Ethics***

#### Culture

As described above under "*Description of the Business and Trends: The Company's Vision, Mission, Culture and Business Strategy*", the Company's culture is founded upon principles that are core to its beliefs for a sustainable business, and are reinforced continuously.

#### Ethics and Legal Compliance

The Company's most important assets are its people and its reputation for integrity, in its products and in how they are made. The Company believes it must be clear on what it stands for, and honour its commitment to its people, customers, owners, lenders and communities. Martinrea is committed to doing business in a legal, ethical, honest and responsible manner.

The Board of Directors of Martinrea has adopted a code of conduct (our Code). The Code sets out the Company's expectations of its employees to:

- Act honestly and ethically and in the best interests of the Company
- Comply with all applicable laws, rules and regulations
- Not use or disclose any confidential information acquired as a result of a person's role with the Company
- Avoid all actual or apparent conflicts of interest between personal and professional relationships, ethically handling such actual or apparent conflicts of interest
- Not take any opportunity that belongs to the Company or is discovered through the use of corporate property, information or position; or use any corporate property, information or position for personal gain
- Not compete with any business activity of the Company
- Promptly and accurately provide all necessary information to assure that the Company's public reports, documents, filings and communication are full, fair, accurate, timely and understandable and that the Company's public disclosure requirements are fully met
- Promptly report any known violations of this Code to the Audit Committee Chairman

- Not permit retaliation of any kind against good faith reports or complaints of violations of this Code or other illegal or unethical conduct.

The Code is an integral part of Martinrea’s ethical backbone. In today’s world, with Martinrea operating in various countries, the expectations for responsible business conduct are higher than ever. The Company’s customers, partners and shareholders trust Martinrea will maintain and uphold the law and the highest possible standards of conduct. The Code of Conduct is reviewed at least annually. The Company has implemented training to help its people understand and apply key rules to help ensure all business activities are conducted with the highest level of fairness, honesty, integrity, and ethical standards and to know where they can go for guidance if ever unclear about the right course of action. The Company has also in place policies for employees to safely communicate suspected violations of the Code, such as the Employee Bill of Rights. The Company also maintains a confidential and anonymous whistle-blowing line, which is administered by a third party. The Company has adopted a Vision and Mission Statement and a set of 10 Guiding Principles to help the Company achieve its goals and to provide guidance to employees on acceptable behaviour and how to apply these principles to their jobs.

### ***Respect for People***

#### Human Resources Principles and Policies

The Company’s 10 Guiding Principles are the foundation for its approach to dealing with all aspects of its business, including our people – See “*Description of the Business and Trends: The Company’s Vision, Mission, Culture and Business Strategy*”.

The Company is committed to the fair treatment of employees, a safe, healthy and diverse workplace, competitiveness of wages and open communication. The Company believes that providing employees with a safe and pleasant working environment, based on dignity and respect, is an important factor in maintaining labour productivity and goodwill in order to produce quality products. The Company believes that it has a strong relationship with its employees. The future success of the Company depends in part on its ability to attract and retain qualified people.

In addition to its 10 Guiding Principles, the Company adopted an Employee Bill of Rights in 2001, still relevant today, as follows:

#### *Job Security*

Every employee is an important member of the Martinrea team. Together we build our future and protect our job security by exceeding customer expectations while remaining competitive within our industry.

#### *Health and Safety*

Our employees work in a safe, healthy environment and an ergonomically friendly workplace.

#### *Fair Treatment*

Our employees shall be treated with dignity and respect. Accordingly, we provide equal opportunities in a workplace free from discrimination and harassment.

#### *Compensation*

Our wages and benefit programs are reviewed annually to ensure that employees receive fair compensation for the industry in which we work and the communities in which we live.

#### *Coaching*

Regular feedback will be provided so our employees know where they stand at all times and can build on their strengths.

### *Training*

Employees shall be provided the opportunity to develop to their full potential through ongoing training and continuous learning.

### *Communication*

We believe in open, honest two-way communication supported by visible, responsible action in a timely manner.

### *Open Door Policy*

If an employee feels that his or her rights under the Martinrea Employee Bill of Rights are not being met or if they have any questions, concerns, or suggestions, they are encouraged to approach any member of the management team up to and including the CEO. Our doors are always open. We promise to listen and respond appropriately without reprisal or retaliation.

In furtherance of the Company's commitment to fairness, as demonstrated in its Employee Bill of Rights, the Company has established a variety of employee communication programs.

### Human Rights

Martinrea respects the dignity of every human being and supports the compliance with internationally recognized human rights. The Company rejects all forms of physical, sexual, psychological or verbal abuse of its employees. Martinrea respects the freedom of opinion and expression and freedom of association.

The Company condemns child labour and respects the rights of children. The Company complies with the applicable laws and regulations regarding the minimum age for admission to employment or work.

Martinrea compensates employees to enable them to meet at least their basic needs and provide the opportunity to improve their skill and capability in order to raise their social and economic opportunities.

### Diversity and Inclusion

The Company believes in creating a diverse and inclusive culture, based on its Golden Rule culture, with treating people the way we want to be treated, with dignity and respect, which is foundational. We believe a great work environment allows everyone to reach their full potential. The Company's objective is to encourage diversity and inclusion within the Company, including in its Board and senior management and to not discriminate on the basis of gender or on any other basis.

The Company believes diversity and inclusion is important to a well-functioning team to ensure the Company has the necessary range of perspectives, experience and expertise required to achieve the Company's objectives, including effective stewardship and management.

As noted above, fair treatment and dignity and respect are core principles in the Company's Employee Bill of Rights and in the Company's 10 Guiding Principles. These principles, which are discussed and reinforced through employee meetings, conferences, training and in daily life, also encourage diversity. Any employee who believes he or she is not being treated fairly, has an open line of communication up to the CEO and the Executive Chairman.

In an increasingly complex global marketplace, the ability to draw on a wide range of viewpoints, backgrounds, skills, and experience is critical to the Company's success. The Company's global growth plans assume cultural nimbleness and, competitively, the Company needs to continue to develop a brand and environment that appeals to the breadth of talent that will help the Company be successful.

The Company recognizes gender diversity is a significant aspect of diversity and believes leadership from women is critical to executing on the Company's strategy. This belief forms an important part of the focus of management in the appointment and recruitment of officers and the Board in the search and selection of nominee

directors. The Company participates in activities promoting automotive as a career for women, such as sponsoring student and university co-op programs, and supports the development of the next generation of talent in Science, Technology, Engineering and Mathematics (STEM), including programs engaging and encouraging young women to enter into STEM such as First Robotics. Currently, 14% of the Company's senior executive officers are female.

#### Labour Matters

The Company maintains a strong relationship with its employees and the unions that represent them where collective bargaining agreements are in place. The Company's operations in Canada and the U.S. are generally non-unionized; however, the Company does have certain facilities in the U.S. and Canada which are unionized, as are the plants in other jurisdictions. From time to time, various unions seek to represent certain of the Company's employees and, consequently, the Company may become party to additional collective bargaining agreements at some future time.

#### Management Incentive Compensation

To attract and retain key management employees, the Company compensates these individuals by various means. Senior executives are paid a base salary plus bonuses based on pre-tax profits and may receive options to purchase the Company's common shares or other equity-based compensation, such as units under the Company's performance and restricted share unit program. The Company has in place share ownership guidelines for executives and has geared certain bonus payments to the purchase of the Company's common shares by the executives. The Company's employee compensation principles are determined by the Human Resources and Compensation Committee and administered by each facility's human resources department with the assistance of the Company's Executive Vice President Human Resources, if necessary.

#### Health and Safety

Martinrea has a strong commitment to workplace health and safety and the prevention of occupational injury and illness. Martinrea's objective is to continuously improve its health and safety performance, and to meet or exceed industry standards and health and safety legislation. A safe and healthy workplace is created through the combined effort and participation of leadership and employees.

Leadership is responsible for establishing and maintaining health and safety policies, programs, safe-work practices and resources, and employees are responsible for maintaining safe and healthy work conditions and following the safety standards and training provided. Prevention is the goal and all parties will continue to work together to ensure a safe and healthy workplace.

Protection for employee health and safety is a core principle in the Company's Employee Bill of Rights. The Company is committed to giving people a healthy and safe work environment, including free from harassment and violence.

The Company has a health and safety management system ensuring the laws in each country are followed. The Company's goal is to be better than industry standards and it has achieved that based on key safety performance indicators.

The Company routinely discusses health and safety issues and ensures best practices are adopted throughout its operations, with focus on identifying and eliminating health and safety risks, industrial-hygiene, ergonomics and emergency preparedness. The Company incorporates legislative changes, learnings from near misses and accidents, and changes to industry standards into its global safety management system.

The Company has an emergency preparedness and response plan in place at each facility to ensure timely response and communication in the event of an emergency, and incident investigation procedures to ensure incidents are investigated and corrective action implemented to prevent recurrence.

The Company has a Joint Health and Safety Committee at each plant and office, and ensures compliance with local and global standards by auditing and inspecting compliance with both routine and unscheduled audits. Audits are designed to address documentation requirements, assess physical conditions at the plant and compliance to

legal requirements. Audits and inspections are conducted on-site and followed with a report requiring the facility to develop an action plan to address deficiencies or best practices that is reviewed by the leadership team. Health and safety issues are encouraged to be corrected as they arise. Executive leadership reviews and discusses health and safety issues and compliance monthly and presentations are made to the Company's Board of Directors on a quarterly basis.

The health and safety management system incorporates international and regional standards, including where applicable: OHSAS 18001, Canadian Standards Association (CSA), American National Standards Institute (ANSI), as well as country-specific safety regulations. Audits and inspections are conducted by specialists with knowledge of Martinrea's standards and country-specific requirements.

The Company's health and safety committees hold regular conferences with representatives of its manufacturing facilities to reinforce its commitment to providing a safe and healthy work environment and share best practices with respect to occupational health and safety. Any employee who believes he or she is not being treated fairly, has an open line of communication up to the CEO.

As discussed under Description of the Business: Automotive Industry - General, as a result of the COVID-19 Pandemic, the Company has adopted increased rigorous health and safety protocols to keep people safe at work during the pandemic.

### ***Environmental Sustainability***

#### Environmental Sustainability

Martinrea's goal for its business operations is to ensure the responsible use of natural resources and the prevention and reduction of negative environmental impacts like emissions, energy and water consumption, or waste generation, and not to endanger the environment.

The Company aspires to be an environmentally responsible company and has corporate strategies and risk management procedures in place to reduce its impact on the environment.

The Company has a global environmental compliance program, which requires that its manufacturing facilities receive where required, ISO 14001 or functionally equivalent environmental certification. ISO 14001 specifies requirements of an environmental management system and is a systematic approach to handling environmental issues within an organization. The Company monitors its operations to ensure compliance with environmental requirements and standards, and takes action to prevent and correct problems if needed. Third party and internal audits or inspections are conducted at its plants.

The Company has a disaster response and recovery plan in place at each facility to protect the health and safety of the employees and to ensure disruption to the Company's operations are minimized in the event of an environmental issue. The Company's customers are becoming increasingly focused on supply chain sustainability in manufacturing, which could impact future sourcing decisions.

The Company is subject to environmental regulation by the federal, provincial and municipal authorities in the jurisdictions in which it operates. The Company's operations involve the use of equipment and products which produce various wastes, which are subject to legislative and regulatory guidelines including those related to the transportation, recycling, treatment, storage and disposal of various industrial chemicals and metals, discharges of pollutants into the land, air and water, and the remediation of contaminated soil, surface water and groundwater, as well as laws and regulations, with respect to workers' health and safety and labour standards.

#### Climate Change

Climate change can be described as the alteration of long-term weather patterns and increasing frequency of extreme weather events.

As discussed above, the Company, and the OEMs it supplies, are subject to a variety of federal, state, provincial, local and foreign environmental laws and regulations, including those related to GHG emission reductions

and fuel efficiency measures Environmental laws, regulations and permits, and the enforcement thereof, change frequently and have tended to become more stringent over time as governments and consumers focus their attention on the effects of climate change, the release of GHG emissions, and other general anti-pollution efforts. New environmental regulations are passed frequently, and automotive products are continuously tested for durability, GHG emissions and other environmental concerns. In addition to legislation, climate change has resulted in trends (as described above under “*Description of the Business and Trends*”) which present opportunities and challenges for the automotive industry. The Company strives to realize on the opportunities and address these risks in numerous ways, including with sustainability-focused innovation, minimizing the impact of operations, including through lean manufacturing principles, which also indirectly results in CO<sub>2</sub> reductions.

Any regulation of GHG emissions, including through a cap-and-trade system, technology mandate, emissions tax, reporting requirement or other program, could subject the Company to significant costs, including those relating to emission credits, pollution control equipment, monitoring and reporting, as well as increased energy and raw material prices. In addition, OEM customers may seek price reductions from the Company to account for their increased costs resulting from GHG regulations. Further, growing pressure to reduce GHG emissions, and to ensure the supply base meets customer reduction targets, could reduce or change the mix of automobile sales, thereby impacting the demand for the Company’s products and ultimately the Company’s revenues. The Company’s operations are not major GHG emitters. Accordingly, the Company does not currently anticipate that current or future regulatory targets for GHG reduction or future GHG emission caps would have a material impact on the Company. However, there is still significant uncertainty surrounding the scope, timing and effect of future GHG regulation, therefore, any such regulation, or failure to meet any customer-imported GHG reduction target, could have a material adverse impact on the Company’s business, financial condition, results of operations, reputation, product demand and liquidity. (See also “*Automotive Industry General*” and “*Risk Factors*”).

#### Lightweighting Structures and Propulsion Systems Strategy

Changes in environmental regulation have presented an opportunity for the Company as a manufacturer of Lightweight Structures and Propulsion Systems, which are in demand from its customers to meet their regulatory requirements and consumer demand for goods that have less of an impact on the environment. No matter what propels the vehicle, the Company expects to be able to manufacture the light weight structure or to provide products or systems to propel the vehicle. The Company develops technologies that help its customers produce vehicles which meet or exceed consumer expectations regarding fuel consumption and greenhouse gas (GHG) emissions, for example through:

- use of advanced and lightweight materials;
- components and systems with reduced mass, through use of advanced/lightweight materials, innovative multi-material joining processes and reduced number of parts; and
- solutions to help optimize internal combustion engines. (See also “*Description of the Business and Trends: Lightweighting and Electric Vehicles*”).

#### Reducing CO<sub>2</sub> Footprint through Lean Manufacturing

The Company uses lean manufacturing principles in its operations, which has a positive effect of reducing the Company’s environmental impact as it results in a reduction of materials, equipment, CO<sub>2</sub> emissions, energy use and waste in its operations.

The Company strives to improve the efficiency of its manufacturing operations, including through energy, water and waste reduction efforts.

#### Reporting

Martinrea provides sustainability reporting to customers where required by its customers.

The Company also supports its customers, where required, with Conflict Minerals reporting to help ensure that conflict minerals such as gold, tantalum, tungsten and tin which are sourced from mines under the control of

armed groups in the Democratic Republic of Congo and certain neighbouring countries, are not used in automotive parts and assemblies.

#### Hazardous Waste and Industrial Emissions

The Company operates a number of manufacturing facilities using environmentally-sensitive processes and hazardous materials. Some of its facilities have in the past and may in the future receive a notice of violation or similar communication from local regulators during routine reviews. The Company has in the past and will continue in the future to address any such notices promptly.

#### Energy Efficiency, Water and Waste Reduction

The Company aims to achieve efficiencies in and minimize waste from its manufacturing operations and has activities in place at various divisions to increase energy efficiency, reduce water consumption (including through recycling efforts where applicable) and reduce waste generation.

Waste reduction and scrap elimination are important considerations in our manufacturing activities. In many areas the Company manufactures its own racking and storage systems that are reusable.

#### ***Supply Chain Responsibility***

Suppliers to Martinrea are considered valuable business partners. Suppliers help the Company meet and exceed the expectations of Martinrea's customers. Suppliers help to keep the Company competitive through world class manufacturing and cutting edge innovations. Through the rigorous supplier selection process, Martinrea strives to ensure the Company's culture and values cascade to the supply base.

Martinrea evaluates suppliers for the following policies and procedures using Martinrea Supplier Quality Guidelines and Supplier Assessments:

- Product Safety and Quality Assurance
- Social Responsibility
  - Respect for Basic Human Rights and Working Conditions and the promotion of Health and Safety in the workplace
- Environmental Sustainability
  - Energy reduction programs, water purification programs, use of renewable resources
  - Suppliers are encouraged to become ISO 14001 certified
  - Recyclability and End of Vehicle programs: IMDS / ELV
- Code of Conduct and Ethics
  - Anti-Trust and Competition
  - Anti-Corruption and Anti-Bribery
  - Compliance with Laws and Regulations
- Promotion of Diversity and Inclusion within their operation and their supply base
  - Joining Supply Chain Security programs such as CTPAT, PIP, FAST

#### ***Supplier Diversity***

To Martinrea, our vision of "Making people's lives better . . ." includes supporting diverse owned businesses in the communities in which we operate. As such, Martinrea's Supplier Diversity program has expanded to include purchases in excess of \$200 million annually from over 150 diverse companies. In addition, we are corporate members of several industry-recognized supplier diversity organizations, and sponsor a variety of supplier diversity events, conferences, and procurement fairs. We are proud to have received awards for our supplier diversity efforts from many of our customers over the years.

## ***Making Lives Better***

As described in detail throughout this Annual Information Form, Martinrea's vision and culture is based on making people's lives better. In the context of sustainability and working with communities, core to Martinrea's mission is to be a positive contributor, both globally and by supporting the communities in which Martinrea operates with involvement in local clubs, events and charities. Making lives better in communities has been a foundational belief of the Company from the beginning and is directly reflected in the Company's Vision, Mission, Principles, as well as in the Company's culture. (See "*Description of the Business and Trends: The Company's Vision, Mission, Culture and Business Strategy*".)

Martinrea rebranded and unified its charitable initiatives in 2018 under a global charitable giving program called "Making People's Lives Better." The Company's charitable goals include sponsoring tangible projects inside a charity, impacting people's lives and making lives better (both in the communities in which we work and support and those in need anywhere in the world), providing donations for sponsored projects, and encouraging one another to volunteer our devoted time to those in need.

## **Acquisitions**

The pursuit of growth opportunities and complementary investments, including through acquisition, has been a key element of the Company's business strategy. In 2002, the Company acquired all of the shares of Rea International Inc., Pilot Industries, Inc. and their affiliated companies. In 2005, the Company acquired the assets of Corydon Manufacturing LLC. In 2006, the Company acquired the assets of Depco International and completed the TKB Acquisition. In 2009, the Company acquired certain assets of SKD pursuant to various separate purchase transactions. In 2011, the Company acquired certain assets of Honsel AG and in 2014 the Company acquired Anchorage's 45% interest in Martinrea Honsel. The Company also announced the Metalsa Acquisition in late 2019 for a purchase price of approximately USD \$19.5 million in cash, inclusive of working capital and on a debt free basis. Completion of the transaction occurred on March 2, 2020, once regulatory approvals and closing conditions had been obtained or met. See "History".

## **5. DIVIDENDS**

### **Dividend Policy**

Other than restrictions which may be imposed by the Company's credit facility based on loan-related covenants, there are no restrictions on the Company that would prevent it from paying a dividend. In 2013, the Company implemented quarterly dividend payments with the first dividend declared in June, 2013. In 2018, the Company raised its quarterly dividend by 50% to \$0.045 per share commencing with the release of the first quarter results of 2018 and declared approximately \$14,213,000 in dividends (\$0.165 per share). In 2019, the Company declared approximately \$14,738,000 in dividends (\$0.18 per share). In 2020, the Company raised its quarterly dividend by 10% to \$0.05 per share commencing with the release of the fourth quarter of 2019 and declared approximately \$16,031,419 in dividends (\$0.20 per share). In 2020, the Company did not suspend or cancel the dividend payment despite the COVID-19 Pandemic. The board of directors reviews its dividend policy quarterly in the context of the Company's earnings, financial condition and other relevant factors. The Company's dividend policy is located on its website at [www.martinrea.com](http://www.martinrea.com).

## **6. CAPITAL STRUCTURE**

The Company's authorized capital consists of an unlimited number of Common Shares and no other classes of shares.

Holders of Common Shares are entitled to receive notice of any meetings of shareholders of the Company, to attend such meetings and to cast one vote per Common Share at all such meetings. Holders of Common Shares do not have cumulative voting rights with respect to the election of directors and, accordingly, holders of a majority of the Common Shares entitled to vote in any election of directors may elect all directors standing for election. Holders of Common Shares are entitled to receive rateably such dividends, if any, as and when declared by the board of directors at its discretion from funds legally available therefor and upon the liquidation, dissolution or winding up of the Company are entitled to receive rateably the net assets of the Company after payment of debts and other liabilities,



in each case subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or rateably with the holders of the Common Shares with respect to dividends or liquidation. The Common Shares do not carry any pre-emptive, subscription, redemption or conversion rights.

During 2018, the Company received approval from the Toronto Stock Exchange (“TSX”) to acquire for cancellation, by way of normal course issuer bid (“NCIB”), up to 4,348,479 common shares of the Company. The bid commenced on August 31, 2018 and spanned a 12-month period.

During 2018, after the commencement of the NCIB, the Company purchased for cancellation an aggregate of 2,150,400 common shares for an aggregate purchase price of approximately \$25.5 million, resulting in a decrease to stated capital of approximately \$17.7 million and a decrease to retained earnings of approximately \$7.8 million. The shares were purchased and canceled directly under the NCIB.

At the end of 2018, the Company entered into an Automatic Share Repurchase Plan (“ASRP”) with a broker that allowed the purchase of common shares for cancellation under the NCIB at any time during the pre-determined trading blackout period. During the three months ended March 31, 2019, the Company purchased the 2,198,079 common shares under the ASRP for an aggregate purchase price of approximately \$26.3 million, resulting in a decrease to stated capital of approximately \$18.1 million and a decrease to retained earnings of approximately \$8.2 million. The shares were purchased and canceled directly under the NCIB.

During the third quarter of 2019, the Company renewed the NCIB, receiving approval from the TSX to acquire for cancellation up to an additional 8,000,000 common shares of the Company. The renewed bid commenced on August 31, 2019 and spans a 12-month period.

During the third and fourth quarters of 2019, the Company purchased for cancellation an aggregate of 2,600,025 common shares for an aggregate purchase price of approximately \$31.5 million, resulting in a decrease to stated capital of approximately \$21.4 million and a decrease to retained earnings of approximately \$10.1 million. The shares were purchased for cancellation directly under the NCIB.

During the first quarter of 2020, the Company purchased for cancellation an aggregate of 300,185 common shares for an aggregate purchase price of approximately \$3.4 million, resulting in a decrease to stated capital of approximately \$2.5 million and a decrease to retained earnings of approximately \$0.9 million. The shares were purchased for cancellation directly under the NCIB.

The Company currently does not have an NCIB in place.

As of the date hereof, there are 80,294,095 common shares issued and outstanding.

## 7. MARKET FOR SECURITIES

The Company's Common Shares are listed and posted for trading on the Toronto Stock Exchange under the symbol "MRE". The volume of trading and price ranges of the Company's common shares for the periods indicated in 2020 are set out in the following table:

	High	Low	Volume
January	\$14.71	\$12.81	4,923,876
February	\$13.76	\$11.05	2,970,581
March	\$11.64	\$5.64	9,075,186
April	\$9.00	\$5.85	5,146,254
May	\$9.46	\$7.05	4,274,743
June	\$12.21	\$9.06	9,460,782
July	\$11.10	\$9.75	3,661,084
August	\$11.33	\$9.84	5,252,726
September	\$10.51	\$8.98	4,022,908
October	\$11.39	\$9.545	4,073,517
November	\$14.28	\$9.93	7,201,534
December	\$15.80	\$14.30	4,981,491

The closing price of the Common Shares was \$14.86 as of December 31, 2020.

## 8. ESCROWED SECURITIES

To the Company's knowledge, no Common Shares of the Company are currently held in escrow.

## 9. DIRECTORS AND OFFICERS

### Name, Occupation and Security Holding

As of the date hereof, the names, municipalities of residence, all major positions and offices with the Company and its significant affiliates and the principal occupations of the directors and executive officers of the Company, and the year they became directors (as applicable) are set forth in the table below.

Name and Municipality of Residence	Position with the Company	Principal Occupation	Year Became Director
Pat D'Eramo Caryville, Tennessee	President and Chief Executive Officer, Director	President and Chief Executive Officer of the Company	2015
Rob Wildeboer Burlington, Ontario	Executive Chairman of the Board, Director	Executive Chairman of the Company's Board of Directors	1996
Terry Lyons <sup>(2), (3)</sup> Vancouver, British Columbia	Director	Corporate Director  Director, Canaccord Genuity Group Inc.	2014

<b>Name and Municipality of Residence</b>	<b>Position with the Company</b>	<b>Principal Occupation</b>	<b>Year Became Director</b>
Fred Olson <sup>(1), (2), (3), (4)</sup> Rochester, Michigan	Lead Director	President and CEO, Webasto Product North America (Retired)	2002
Sandra Papatello <sup>(3)</sup> Windsor, Ontario	Director	President, Canadian International Avenues Ltd.	2014
Dave Schoch <sup>(1), (2)</sup> Williamsburg, Virginia	Director	Group Vice President and President, Asia Pacific, and Chairman and Chief Executive Officer, Ford China (Retired)	2018
Molly Shoichet <sup>(1)</sup> Toronto, Ontario	Director	University Professor and Canada Research Chair, Tissue Engineering, Chemical Engineering & Applied Chemistry, University of Toronto	2019
Ed Waitzer Toronto, Ontario	Director	Lawyer, Waitzer Professional Corporation	2021
Fred Di Tosto Vaughan, Ontario	Chief Financial Officer	Chief Financial Officer of the Company and Business Unit Leader for Flexible Manufacturing Group of the Company	-
Alfredo Alonso Rochester, Michigan	Executive Vice President, Fluids	Executive Vice President, Fluids of the Company	-
Peter Cirulis Novi, Michigan	Executive Vice President, Aluminum	Executive Vice President, Aluminum of the Company	-
Robert Fairchild Troy, Michigan	Executive Vice President, Sales and Engineering	Executive Vice President, Sales and Engineering of the Company	-
Megan Hunter Livonia, Michigan	Executive Vice President, Procurement and Supply Chain Operations	Executive Vice President, Procurement and Supply Chain Operations of the Company	-
Ganesh Iyer Rochester, Michigan	Chief Technology Officer	Chief Technology Officer of the Company	-
Bruce Johnson Aurora, Ontario	Executive Vice President, Martinrea Innovation Developments Inc.	Executive Vice President, Martinrea Innovation Developments Inc. of the Company	-
Mike Leal Lexington, Kentucky	Vice President, Lean Manufacturing	Vice President, Lean Manufacturing of the Company	-

Name and Municipality of Residence	Position with the Company	Principal Occupation	Year Became Director
Hany Morsy Oakville, Ontario	Chief Internal Auditor	Chief Internal Auditor of the Company	-
Armando Pagliari Milton, Ontario	Executive Vice President, Human Resources	Executive Vice President, Human Resources of the Company	-
Larry Paine Oro-Medonte, Ontario	Executive Vice-President, Metallics	Executive Vice President, Metallics Group of the Company	-
Kerri Pope Vaughan, Ontario	General Counsel and Corporate Secretary	General Counsel and Corporate Secretary of the Company	-

- (1) Member of the Human Resources and Compensation Committee. Fred Olson is acting chair of this committee.
- (2) Member of the Audit Committee. Mr. Lyons is chair of this committee.
- (3) Member of the Corporate Governance and Nominating Committee. Ms. Pupatello is chair of this committee.
- (4) Lead Director.

The term of office of each director expires at the next annual meeting of shareholders or when his successor is elected or appointed.

Each of the directors and officers of the Company has held the principal occupation set forth above or other positions with the same organization for the past five (5) years except for (i) Alfredo Alonso, who, prior to joining the Company on January 2, 2018, was Vice President, Dana Incorporated, Light Vehicle Division, North American Operations from January 2014 to December 2017, and prior to that he was Managing Director for Dana Mexico for all Dana groups from April 2012 to December 2013; (ii) Dave Schoch, who prior to joining the Board in August, 2018, was Group Vice President and President, Asia Pacific, and Chairman and Chief Executive Officer, Ford China until his retirement in 2017; (iii) Peter Cirulis, who, prior to joining the Company on September 24, 2018 was Vice President, Customer Experience, Strategy and Product Planning, Global Aftermarket at Dana Incorporated from September 2016 to September 2018, and prior to that was Vice President, Finance and Operational Excellence, Commercial Vehicle Division from January 2014 to August 2016 and Vice President, Global Business Development, Light Vehicle Division from January 2013 to December 2013; (iv) Molly Shoichet, who prior to joining the Board in June 2019, served as Ontario's first Chief Scientist in 2018 where she worked to enhance the culture of science. Since 2014, Dr. Shoichet has been a University Professor and Canada Research Chair, Tissue Engineering, Chemical Engineering & Applied Chemistry at the University of Toronto. Dr. Shoichet is currently serving as a Director of MaRS, and is currently Director and co-Founder of AmacaThera Inc.; and (v) Ed Waitzer, who prior to joining the Board in March 2021, was a partner at Stikeman Elliott LLP from 1984 until his retirement from the law firm in January 2021, has been a professor and Director of the Hennick Centre for Business and Law and the Jarislowsky Dimma Mooney Chair in Corporate Governance at Osgoode Hall Law School and the Schulich School of Business from 2008 until his retirement in June 2020. He continues to practice law at Waitzer Professional Corporation.

As at the date hereof, the directors and executive officers of the Company as a group, directly and indirectly, beneficially own or exercise control or direction over approximately 1,197,101 million Common Shares, representing approximately 1.49% of the issued and outstanding common shares of the Company. In addition, members of this group hold other equity-based interests in the Company. The information as to Common Shares beneficially owned or over which control is exercised, not being within the knowledge of the Company, has been furnished by the respective directors and officers.

## Cease Trade Orders

Other than as set out below, none of the directors or executive officers:

- a) is, as at the date of the Annual Information Form, or was within 10 years before the date of the Annual Information Form, a director or chief executive officer or chief financial officer of any company (including Martinrea) that:
  - i) was the subject of an order (as defined in National Instrument 51-102F2) that was issued while the director or executive officer 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 director or executive officer ceased to be a director, chief executive officer, or chief financial officer, and which resulted from an event that occurred while that person was acting in the capacity as a director, chief executive officer, or chief financial officer.

None of the directors, executive officers or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company,

- b) is at the date hereof, or has been within 10 years before the date of this Annual Information Form, a director or executive officer of any company (including Martinrea) that while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- c) has, within the 10 years before this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Mr. Lyons was a director of Royal Oak Ventures Inc. ("Royal Oak") at the request of Brookfield Asset Management Inc. which was subject to cease trade orders in each of the provinces of British Columbia, Alberta, Ontario and Quebec due to the failure of Royal Oak to file financial statements since the financial year ended December 31, 2003. After restructuring, the cease trade orders were lifted on July 4, 2012. Effective January 1, 2014, Brookfield took Royal Oak private and Mr. Lyons resigned as a director. Mr. Lyons was elected to the board of directors of Royal Oak because of his valuable experience and expertise in financial restructuring in the insolvency context.

The information as to cease trade orders and bankruptcies, not being within the knowledge of the Company, has been furnished by the directors and executive officers, respectively.

## 10. RISK FACTORS

The following risk factors, as well as the other information contained in this Annual Information Form, the Company's Management Discussion and Analysis for the year ended December 31, 2020 or otherwise incorporated herein by reference, should be considered carefully. These risk factors could materially and adversely affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

The Company's success is primarily dependent upon the levels of car and light truck production by its customers and the relative amount of content the Company has on their various vehicle programs. OEM production volumes may be impacted by many factors including general economic and political conditions, interest rates, credit availability, energy and fuel prices, international conflicts, labour relations issues, regulatory requirements, trade agreements, infrastructure considerations, legislative changes, and environmental emissions standards and safety issues.

## **North American and Global Economic and Political Conditions and Consumer Confidence**

The automotive industry is global, and is cyclical in the fact that it is sensitive to changes in economic and political conditions, including interest rates, inflation, foreign exchange, fuel prices, employment, real estate values, trade issues, international or domestic conflicts or political crises, developments in global markets, inflation and epidemics or pandemics, such as the COVID-19 Pandemic, and other factors.

The Company operates in the midst of a volatile industry, which in the past decade has experienced a significant recession, particularly severe in North America and Europe. Although there has been stabilization or growth in North America for the past decade, current conditions (including as a result of the COVID-19 Pandemic or any variants) continue to cause economic uncertainty about the future in different regions. It is uncertain what the Company's prospects will be in the future. While the Company believes it has sufficient liquidity and a strong balance sheet to deal with present economic conditions, lower sales and production volumes in certain areas may occur. It is unknown at this stage what the impact will be of the COVID-19 Pandemic, and global trade issues on the automotive industry, including resulting from any changes to trade agreements, tariffs or trade disputes. (See "*Trade Policies and Resulting Impact (USMCA, Brexit and the CPTPP)*" above under "*Automotive Industry General*" and "*Changes in Law and Governmental Regulation*" and "*COVID-19 Pandemic*" below.)

The above and other factors may result in lower consumer confidence. Consumer confidence has a significant impact on consumer demand for vehicles, which in turn impacts vehicle production. A significant decline in vehicle production volumes from current levels could have a material adverse effect on profitability. An economic downturn or other adverse industry conditions that result in even a relatively modest decline in vehicle production levels could reduce the Company's sales and thereby adversely affect the Company's financial condition, results of operations and cash flows. The automotive industry is subject to rapid technological change, vigorous competition, short product life cycles and cyclical consumer demand patterns. When the Company's customers are adversely affected by these factors, the Company may be similarly affected to the extent that the Company's customers reduce the volume of orders for and sales of the Company's products.

## **Automotive Industry Risks**

The automotive industry is generally viewed as highly cyclical. It is dependent on, among other factors, consumer spending and general economic conditions in North America and elsewhere. Future sales and production volumes in our key North American, European and Asian markets are anticipated to be higher in 2021 and beyond relative to 2020 levels, though uncertainty remains, and volume levels can potentially decrease at any time. In Europe, the automotive industry has significant overcapacity as well as reduced sales and production levels, which can lead to downsizing and restructuring costs, or costs associated with overcapacity. Increased emphasis on the reduction of fuel consumption, fuel emissions and greenhouse gas emissions could also reduce demand for automobiles overall or specific platforms on which the Company has product. There can be no assurance that North American or European automotive production overall or on specific platforms will not decline in the future or that the Company will be able to utilize any existing unused capacity or any additional capacity it adds in the future. A continued or a substantial additional decline in the production of new automobiles overall or by customer or by customer platform may have a material adverse effect on the Company's financial condition and results of operations and ability to meet existing financial covenants. It is unknown at this stage what impact the COVID-19 Pandemic (or any variants) or global trade issues will have on the automotive industry, including resulting from any changes to trade agreements, tariffs or trade disputes.

## **Pandemics and Epidemics (including the ongoing COVID-19 Pandemic), Force Majeure Events, Natural Disasters, Terrorist Activities, Political Unrest, and Other Outbreaks**

Global pandemics, epidemics or disease outbreaks in North America or globally, as well as hurricanes, earthquakes, tsunamis, snowstorms, or other natural disasters, acts of God or force majeure, could disrupt the Company's business operations, reduce or restrict the Company's supply of materials and services, result in significant costs to protect the Company's employees and facilities, or result in regional or global economic distress, which may materially and adversely affect the Company's business, financial condition, and results of operations. Actual or threatened war, terrorist activities, political unrest, civil strife, and other geopolitical uncertainty could have a similar adverse effect on the Company's business, financial condition, and results of operations. Any one or more of these

events may impede the Company's production and delivery efforts and adversely affect the Company's sales results, possibly for a prolonged period of time, which could materially and adversely affect the Company's business, financial condition, and results of operations.

The current COVID-19 Pandemic adversely affected many aspects of the Company's business, including production, supply chain, and sales and delivery, as well as financial results in 2020.

The Company has implemented various protocols throughout its global footprint to ensure a safe work environment, including: the use of personal protection equipment; reworking processes to provide social distancing; restricting access to facilities; enhancing cleaning and disinfecting protocols; using rotational and/or remote work schedules, where possible; and restricting travel.

The Company also took aggressive actions in March 2020 and during the second quarter to conserve cash in response to the COVID-19 related shutdowns and lower volumes. These actions included a significant number of temporary hourly and salaried employee layoffs, temporary reductions of salaried employee base wages of 20% (50% in the case of the Company's Executive Chairman, President and Chief Executive Officer, and Chief Financial Officer), the curtailment of non-production spending and the delay of capital and tooling spending where and when appropriate. The Company also suspended the repurchase of common stock under its normal course issuer bid, which expired in August, 2020. The Company expects to be able to continue to respond to the COVID-19 Pandemic in a measured, prudent and decisive manner with continued emphasis on health and safety, cash conservation and the maintenance of its liquidity position. The Company expects to be able to work with all its stakeholders to address the challenges, including: its supply base to deal with their challenges, including maintaining production and safety protocols; its customers to assist with meeting production requirements, as well as the development of new programs and products; its governmental and regulatory authorities to ensure safety and the economic well-being of the industry; its capital providers to ensure liquidity; and its employees to minimize the impacts of the pandemic, including a safe and healthy work environment.

The COVID-19 Pandemic (or any variant) has had and may continue to have an adverse effect on the Company's business, results of operations, cash flows and financial position. The ultimate extent of the impact will depend on various factors, including the possibility of future shutdowns, impact on customers and suppliers, the rate at which economic conditions, operations and demand for vehicles return to pre-COVID levels, any continued or future governmental orders, including border closures or lockdowns due to any wave of COVID-19 and the potential for a recession in key markets due to the effect of the pandemic. Since the pandemic and public response to it continue to evolve, it is difficult to accurately assess COVID-19's continued magnitude, outcome and duration.

Impacts of COVID-19 and/or its resurgence or as a result of any variants, and/or prolonged pandemic would likely deteriorate economic conditions, resulting in lower consumer confidence, which typically translates into lower vehicle sales and production levels; reduce the Company's customers' production volume levels, including as a result of intermittent facility shutdowns and/or temporary shut-downs or slowdowns of one or more of the production lines of the Company or one or more of its customers or suppliers; elevate the financial pressure on or deteriorate the financial condition of the Company's customers, which could lead to an OEM insolvency, and would likely increase pricing pressure on the Company; and reduce the Company's production levels, including as a result of intermittent shutdowns of our manufacturing facilities. Additionally, a prolonged pandemic could cause potential shortages of employees to staff the Company's facilities, or the facilities of the Company's customers or suppliers; lead to prolonged disruptions or shortages of critical components, and could deteriorate the financial condition of the Company's suppliers including as a result of the bankruptcy/insolvency of one or more suppliers due to worsening economic conditions; or result in governmental regulation adversely impacting our business. In addition, certain events may prevent the Company from supplying products to its customers or prevent its customers from being supplied with products necessary for production of vehicles which our products are on, which could result in a range of potential adverse consequences, including business interruption, loss of business and reputational damage. Previous production stoppages related to COVID-19 have resulted in, and may in the future result in, supply disruptions and shortages globally. A prolonged supply disruption or supply shortage could have a material adverse effect on the Company's business, financial condition, and results of operations.

Any or all of the above impacts of a prolonged pandemic could have a rapid, unexpected and material adverse effect on the Company's business, financial condition and results of operations. Irrespective of whether the pandemic is prolonged, the significant global economic impact and job losses to date are likely to affect household income and wealth beyond 2020, which would likely directly affect vehicle sales and thus production. Future sales and production volumes are anticipated to rebound from the economic slowdown caused by the COVID-19 Pandemic and to grow modestly or stabilize in North America over the next several years, but growth rates are uncertain and volume levels can decrease at any time. There can be no assurance that North America, Chinese or European automotive production overall or on specific platforms will not decline in the future.

### **Dependence Upon Key Customers**

North America, Europe, Brazil and China are key auto producing regions for us and operating results are primarily dependent on car and light vehicle production in these regions by the Company's customers. Due to the nature of the Company's business, it is dependent upon several large customers such that cancellation of a significant order by any of these customers, the loss of any such customers for any reason or the termination or discontinuation of such customer's programs without replacement or new business wins or the insolvency of any such customers, reduced sales of automotive platforms of such customers, or shift in market share on vehicles on which we have significant content, or inability to increase its market share with existing customers, or a significant or sustained decline in vehicle production volumes in geographic areas in which the Company operates, could significantly reduce the Company's ongoing revenue and/or profitability, and could materially and adversely affect the Company's financial condition and results of operations. Although the Company continues to diversify its business, including its product offerings and programs with existing customers, there is no assurance that it will be successful. A loss of any or all of the Company's top customers' business would be expected to have a material adverse effect on the Company's business financial condition.

In addition, a work disruption at one or more of the Company's customers, including resulting from labour stoppages at, an inability to get critical components or supplies from or insolvencies of key suppliers to such customers or an extended customer shutdown (scheduled or unscheduled, including as a result of a pandemic or epidemic, such as the COVID-19 Pandemic) could have a significant impact on the Company's revenue and/or profitability. The Company's largest North American customers typically halt production for approximately two weeks in July and one week in December. These typically seasonal shutdowns could cause fluctuations in the Company's quarterly results.

Financial difficulties experienced by any major customer could have a material adverse effect on the Company if such customer were unable to pay for the products the Company provides or the Company experiences a loss of, or material reduction in, business from such customer. As a result of such difficulties, even where the Company is considered a key or critical supplier, the Company could experience lost revenues, significant write-offs of accounts receivable, significant impairment charges or additional restructurings, sometimes significantly, from year-to-year, which, in turn, causes fluctuations in the demand for the Company's products.

The Company is dependent on the continued growth, viability and financial stability of its OEM customers. Demand for the Company's products is directly related to consumer demand for new vehicles containing the Company's products and production levels of the Company's OEM customers. The level of new vehicle purchases is affected by factors such as consumer preferences, consumer spending patterns, used car pricing relative to new car pricing and the vehicle replacement cycle. The Company's OEM customers continually adjust their production of new vehicles in response to such conditions. The mix of vehicle offerings by the Company's OEM customers impacts the Company's sales. A decrease in consumer demand for specific types of vehicles where the Company has traditionally provided significant components could have a significant effect on the Company's business and financial condition. For example, a decrease in market demand for light trucks, or a decrease in OEM customer offerings in this vehicle segment, could adversely impact the Company's ability to maintain or increase its revenues. In addition, the Company's sales of products in the regions in which its customers operate also depend on the success of such customers in those regions. The Company's North American business is currently highly leveraged toward SUVs, CUVs and pick-up trucks; therefore, a change in consumer preferences or a decrease in consumer demand for these vehicles in North America, resulting from factors such as increases in energy and fuel prices, legislative changes or changes in environmental emission standards or other regulations, may cause a related decrease in OEM production volumes. A decrease in the Company's OEM customers' production volumes for these vehicles, as a result of any one or more of these factors or any other factors, could have a material adverse effect on the Company's business,



profitability, financial condition and/or results of operations. If the Company is unsuccessful or is less successful than its competitors in adjusting to its customers' needs when responding to such conditions, the Company may be placed at a competitive disadvantage, which could have a material adverse effect on the Company's business, profitability, financial condition and/or results of operations.

### **Financial Viability of Suppliers and Key Suppliers**

The Company relies on a number of suppliers to supply a wide range of products and components required in connection with the business. Economic conditions, including trade volatility, production volume cuts, intense pricing pressures, increased commodity prices and a number of other factors including acts of God (including fires, hurricanes, earthquakes, snowstorms, whether as a result of climate change or otherwise, pandemics or epidemics such as the COVID-19 Pandemic) and scarcity of raw materials or other critical components or supplies required by the Company's OEM customers can result in many automotive suppliers experiencing varying degrees of financial distress. In addition, pandemics or epidemics such as the COVID-19 Pandemic may have a material adverse impact on automotive suppliers and the supply chain. The continued financial distress or the insolvency or bankruptcy of any supplier, or reduction or change in the supply of critical or key components of any such supplier could disrupt the supply of products, materials or components to Martinrea or to customers, potentially causing the temporary shut-down of the Company's or customers' production lines or result in a loss of or decrease in production volume. Martinrea has experienced supply disruptions of varying natures in the past, including in cases where an equipment supplier has gone out of business, or an act of God resulted in the shortage of a key commodity, supply or service.

There is a risk some suppliers or sub-suppliers may not have adequate capacity to timely accommodate increases in demand for their products which could lead to production disruption for the customer. Some of the Company's suppliers or sub-suppliers may not be able to handle the commodity cost volatility and/or sharply changing volumes while still performing as expected. To the extent the Company's suppliers or sub-suppliers experience supply disruptions, there is a risk for delivery delays, production delays, production issues or delivery of non-conforming products by suppliers. To the extent the Company's customers experience supply chain disruptions, there is a risk for production delays or production issues which could result in production slowdowns, adjustments to customers' production plans and/or prioritization of certain vehicle models and a reduction of demand for the Company's products. Even where these risks do not materialize, the Company may incur costs as it tries to make contingency plans for such risks. Any prolonged disruption in the supply of critical components, to the Company, its suppliers, customers or within the industry generally, the inability to re-source production of a critical component from a distressed automotive components sub-supplier, or any temporary shut-down of production lines or the production lines of a customer, could have a material adverse effect on operations or profitability.

Additionally, the insolvency, bankruptcy, financial restructuring or force majeure event or events which do not qualify as force majeure events but lead to potential supply chain disruptions or delays, of any critical suppliers of the Company or its customers could result in the Company incurring unrecoverable costs related to the financial work-out or resourcing costs of such suppliers, the expedited freight costs or resourcing costs of such suppliers, and/or increased exposure for product liability, warranty or recall costs relating to the components supplied by such suppliers to the extent such supplier is not able to assume responsibility for such amounts, each of which could have an adverse effect on the Company's profitability. Although the Company is generally able to substitute suppliers for raw materials and components without incurring material short term costs, in some cases, it could be difficult and expensive and take significant time or cause significant delays for the Company to change suppliers. If any of the Company's suppliers are acquired by its competitors, consolidate with other suppliers or are acquired by other companies with whom the Company does not have existing or longstanding relationships, the Company may have less alternatives for suppliers and could experience even greater pricing pressure on certain components and raw materials required in the Company's products, lose the ability to source components and raw materials from certain suppliers or lose its status as a critical or preferred customer of such suppliers, each of which could have an adverse effect on the Company's profitability. The loss of or damage to the Company's relationships with its suppliers or any delay in receiving raw materials and components could impair the Company's ability to timely deliver good quality products to its customers, require the Company to incur additional expenses and delays to complete revalidation of a substitute supplier and result in the loss of or damage to the Company's relationships with its customers, and, accordingly, could have a material adverse effect on the Company's business, financial condition and results of operations. Also see "*Risks: Dependence Upon Key Customers*" and "*Environmental Regulation*".

The Company currently depends on key machinery and tooling used to manufacture components and as such its manufacturing processes are vulnerable to operational problems and installation delays that can impair its ability to manufacture its products in a timely manner. The Company's facilities contain sophisticated machinery and tooling that are used in its manufacturing processes that are complex, cannot be easily replicated, have a long lead-time to manufacture and assemble, and require experienced tradespersons and operators. If there is a breakdown in such machinery and tooling, and the Company or its service providers are unable to repair in a timely fashion, obtaining replacement machinery or rebuilding tooling could involve significant delays and costs, and may not be available to the Company on reasonable terms. If the Company or its service providers are unable to repair the Company's equipment or tooling, in some cases, it could take several months, or longer, for a supplier to begin providing machinery and tooling to specification. Any disruption of machinery and tooling supply chain, or the Company's ability to service or repair key machinery and tooling, could result in lost or deferred sales and customer charges or cause the Company to incur significant costs and / or delays, which could have a material adverse effect on the Company's business, financial condition and results of operations.

## **Competition**

The markets for fluid management systems, cast aluminum products and fabricated metal products, assemblies and systems for automotive and industrial customers are highly competitive. Some of the Company's competitors have substantially greater financial, marketing and other resources and higher market share than the Company in certain products or geographic areas. The Company's competitors include a number of domestic and international suppliers, some of which have established strong relationships with OEMs. The Company's competitors may develop products that are superior to those of the Company, establish manufacturing facilities that are more logistically competitive than the Company's locations, produce similar products at a lower cost or adapt more quickly than the Company does to new technologies or evolving customer requirements. Competition can lead to price reductions, reduced margins, losses, and an inability to gain or hold market share. As the markets for the Company's products and other services expand, additional competition may emerge and competitors may commit more resources to products which directly compete with the Company's products. There can be no assurance that the Company will be able to compete successfully with existing competitors or that its business will not be adversely affected by increased competition or by new competitors.

## **Cost Absorption and Purchase Orders**

Given the current trends in the automotive industry, the Company faces ongoing pricing pressure from OEMs, including through: quoting pre-requirements; long-term supply agreements with mutually agreed price reductions over the life of the agreement; non-contractual annual price concession demands; continuing pressure to absorb costs related to product design and development, engineering, program management, prototypes, validation and tooling; and OEM refusal to fully offset inflationary or material price increases in addition to items previously paid for directly by OEMs. In particular, OEMs are requesting that suppliers pay for the above costs and recover these costs through the piece price of the applicable component. OEMs possess significant leverage over their suppliers due to their purchasing power, continuing industry consolidation, and the highly competitive nature of the automotive supply industry. OEM customers may be able to exert greater leverage over the Company as compared to its competitors. The Company attempts to offset price concessions and costs in a number of ways, including through negotiations with OEM customers, improved operating efficiencies and cost reduction efforts. The Company's inability to fully offset price concessions, absorb design, engineering and tooling costs, and / or fully recover such costs over the life of production, could have a material adverse effect on its profitability. Contract volumes for customer programs not yet in production are based on the Company's customers' estimates of their own future production levels. However, actual production volumes may vary significantly from these estimates due to a reduction in consumer demand or new product launch delays, often without any compensation to the supplier by its OEM customer. Typical purchase orders issued by customers do not require they purchase a minimum number of the Company's products. For programs currently under production, the Company is generally unable to request price changes when volumes differ significantly from production estimates used during the quotation stage. If estimated production volumes are not achieved, the product development, design, engineering, prototype and validation costs incurred by the Company may not be fully recovered. Similarly, future pricing pressure or volume reductions by the Company's customers may also reduce the amount of amortized costs otherwise recoverable in the piece price of the Company's products. Either of these factors could have an adverse effect on the Company's profitability. While it is generally the case that once the Company receives a purchase order for products of a particular vehicle program it would continue to supply those products until the end

of such program, customers could cease to source their production requirements from the Company for a variety of reasons, including the Company's refusal to accept demands for price reductions or other concessions.

### **Material Prices**

Prices for key raw materials and commodities used in parts production, particularly aluminum, steel, resin, paints, chemicals and other raw materials, as well as energy prices, have proven to be volatile at certain times. The costs of these raw materials are subject to inflationary and market pricing pressures and, as such, have fluctuated over the past several years. Such additional commodity costs could have a material adverse effect on profitability. These pricing pressures put significant operational and financial burdens on the Company and its suppliers. A supplier's inability to manage raw material cost increases may lead to delivery delays, additional costs, production issues or quality issues. In 2018, 2019 and 2020, the Company and the industry has experienced steel and aluminum tariffs imposed by the U.S. and Canada, among others, in the context of trade negotiations. Martinrea has attempted to mitigate its exposure to price changes of key commodities, particularly steel, aluminum and scrap (including through participation in steel resale programs or price adjustment mechanisms and, in the case of tariffs, largely through obtaining tariff relief in most cases); however, to the extent the Company is unable to fully do so through engineering products with reduced commodity content, by passing commodity price increases to customers, by avoiding tariffs or otherwise, such additional commodity costs could have a material adverse effect on profitability. Increased energy prices also have an impact on production or transportation costs which in turn could affect competitiveness.

### **Outsourcing and Insourcing Trends**

The Company is dependent on the outsourcing of components, modules and assemblies by OEMs. The extent of OEM outsourcing is influenced by a number of factors, including relative cost, quality and timeliness of production by suppliers as compared to OEMs, capacity utilization, and labour relations among OEMs, their employees and unions. As a result of any favourable terms in collective bargaining agreements that may lower cost structures, OEMs may insource some production which had previously been outsourced, or not outsource production which may otherwise be outsourced at some point. Outsourcing of some assembly is particularly dependent on the degree of unutilized capacity at the OEMs' own assembly facilities, in addition to the foregoing factors. A reduction in outsourcing by OEMs, or the loss of any material production or assembly programs coupled with the failure to secure alternative programs with sufficient volumes and margins, could have a material adverse effect on profitability.

### **Product Warranty, Recall, Product Liability and Liability Risk**

Historically, there have been significant product recalls by some of the world's largest vehicle manufacturers. Recalls may result in decreased vehicle production because of a manufacturer focusing its efforts on the problems underlying the recall rather than generating new sales volume. In addition, reputational damage with consumers may occur and consumers may elect not to purchase vehicles manufactured by the vehicle manufacturer initiating the recall, or by vehicle manufacturers in general, while the recalls persist. Any reduction in vehicle production volumes, especially by the Company's OEM customers, could have a material adverse effect on the Company's business, financial condition and results of operations. Automobile manufacturers are increasingly requesting that each of their suppliers bear costs of the repair and replacement of defective products which are either covered under an automobile manufacturer's warranty or are the subject of a recall by the automobile manufacturer and which were improperly designed, manufactured or assembled by their suppliers. The Company does not maintain insurance for product recall matters; as such insurance is not generally available on acceptable terms. The obligation to repair or replace such parts, or a requirement to participate in a product recall, could have a material adverse effect on the Company's operations and financial condition. Furthermore, if the Company experienced a product recall, such product recall may harm the Company's relationship with its customers.

The Company cannot guarantee that the design, engineering, testing, validation and manufacturing measures it employs to ensure high-quality products will be completely effective, particularly as product complexity increases. In the event that its products fail to perform as expected and such failure results in, or is alleged to result in, bodily injury and / or property damage or other losses, product liability claims may be brought against the Company. The defense of product liability claims, particularly class action claims in North America, may be costly and judgments against the Company could impair its reputation and have a material adverse effect on profitability.

## **Product Development and Technological Change**

The automotive industry is characterized by rapid technological change and frequent new product introductions. Price pressure downward by customers and unavoidable price increases from suppliers can have an adverse effect on the Company's profitability. Accordingly, the Company believes that its future success depends upon its ability to enhance manufacturing techniques offering enhanced performance and functionality at competitive prices, and delivering lightweighting and other products or systems that will enable it to continue to have content on the cars of the future (including for example, electric and autonomous vehicles). The Company's inability, for technological or other reasons, to enhance operations in a timely manner in response to changing market conditions or customer requirements could have a material adverse effect on the Company's results of operations. The ability of the Company to compete successfully will depend in large measure on its ability to maintain a technically competent workforce and to adapt to technological changes and advances in the industry, including providing for the continued compatibility of its products with evolving industry standards and protocols. There can be no assurance that the Company will be successful in its efforts in these respects.

## **Dependence Upon Key Personnel**

The success of the Company is dependent on the services of a number of the members of its senior management, who set the culture, hire the talent, provide strategic direction, oversee operational excellence and drive financial discipline of the Company. The experience and talents of these individuals has been and will be a significant factor in the Company's continued success and growth. The loss of one or more of these individuals without adequate replacement measures could have a material adverse effect on the Company's operations and business prospects. The Company does not currently maintain key person insurance.

The Company's business depends on its ability to attract, develop and retain experienced and highly skilled personnel. Such personnel are in high demand in the areas in which we compete, and competition for their services is intense. As a result of the rapid changes and the intense competition in the automotive industry, the Company has a growing need for skilled people and the Company may face substantial competition for such personnel, from traditional and less traditional sources. The inability to attract and retain highly-skilled personnel could have an adverse effect on the Company's operations and its ability to fully implement its business strategy.

## **Availability of Consumer Credit or Cost of Borrowing**

Declines in the availability of consumer credit and increases in consumer borrowing costs have negatively impacted global automotive sales and resulted in lower production volumes in the past. Substantial declines in automotive sales and production by our OEM customers could have a material adverse effect on the Company's business, results of operations and financial condition.

## **Limited Financial Resources/Uncertainty of Future Financing/Banking**

The Company is engaged in a capital-intensive business and its financial resources are less than the financial resources of some of its competitors. There can be no assurance that, if, as and when the Company seeks additional equity or debt financing, or other forms of financing, the Company will be able to obtain the additional financial resources required to successfully compete in its markets on favourable commercial terms or at all. Additional equity financings may result in substantial dilution to existing shareholders.

The Company's existing debt facilities must be renewed on a periodic basis. There is no assurance the Company will be able to renew such facilities on competitive terms or at all. These facilities may contain restrictions on the Company's ability to, among other things, pay dividends, sell or transfer assets, incur additional debt, repay other debt, make certain investments or acquisitions, repurchase or redeem shares and engage in alternate business activities. Interest rate fluctuations, financial market volatility and global credit market disruptions have made, and may continue to make, it difficult for companies to raise and maintain necessary operating liquidity. While the Company believes it has sufficient liquidity to operate, there can be no assurance that the Company will continue to have such ability.

The Company's working capital requirements can vary significantly depending, in part, on the level, variability and timing of the worldwide vehicle production of its OEM customers and the payment terms with customers and

suppliers. The Company's liquidity could be adversely impacted if circumstances arose causing its suppliers to suspend trade credit terms and require payment in advance or payment upon delivery. If sufficient funds are not otherwise available to the Company from its credit facilities, the Company may need to seek additional capital, through debt or equity financings, to fund its business. Conditions in the credit markets (such as availability of finance and fluctuations in interest rates) may make it difficult for the Company to obtain such financing on attractive terms or even at all. Additional debt financing that the Company may undertake may be expensive and might impose on it covenants that restrict the Company's operations and strategic initiatives, including limitations on its ability to incur liens or additional debt, pay dividends, repurchase its capital stock, make investments and engage in merger, consolidation and asset sale transactions. Many of the Company's customers and suppliers require significant financing to operate their businesses. Longer-term disruptions in the credit markets could further adversely affect the Company's customers by making it increasingly difficult for them to obtain financing for their businesses or for consumers to obtain financing for vehicle purchases. If capital is not available to the Company's customers and suppliers, or if its cost is prohibitively high, their businesses would be negatively impacted, which could result in their restructuring or even reorganization or liquidation under applicable bankruptcy laws. As a result, the need of the Company's customers for, and their ability to purchase, the Company's products may decrease, and the Company's suppliers may increase their prices, reduce their output or change their terms of sale. Any inability of the Company's customers to pay for the Company's products and services, or any demands by suppliers for different payment terms, could have a material adverse effect on the Company's business, financial condition and results of operations.

### **Acquisitions**

The Company may grow through acquisitions of complementary businesses, products or technologies, or by entering into joint ventures. The Company has acquired and anticipates that it will continue to acquire complementary businesses, assets, technologies, services or products, at competitive prices. The Company intends to continue to pursue acquisitions in those product areas which we have identified as key to the Company's long-term business strategy. However, as a result of intense competition in these strategic areas, the Company may not be able to acquire the targets needed to achieve its strategic objectives or certain of its suppliers or sub-suppliers could be acquired, including by the Company's key competitors, which could have a negative impact on the Company's business and strategy.

The completion of such transactions poses additional risks to the Company's business. Acquisitions or strategic alliances are subject to a range of inherent risks, including the difficulties in the integration of the acquired businesses or incorporating joint ventures; uncertainties in assessing the value, strengths and potential profitability of, and identifying the extent of all weaknesses of, acquisition candidates; the assumption of unknown liabilities, including assumption of incremental regulatory/compliance, pricing, supply chain, commodities, labour relations, litigation, environmental, pensions, warranty, recall, IT, tax or other risks and undisclosed risks impacting the target; adverse effects on existing customer and supplier relationships; integration of internal controls; entry into markets in which the Company has little or no direct prior experience; the potential loss of key customers, management and employees of an acquired business; potential integration or restructuring costs; the ability to achieve operating and financial synergies; unanticipated changes in business, industry or general economic conditions that affect the assumptions underlying the Company's rationale for pursuing the acquisition or joint venture. Although the Company seeks to conduct appropriate levels of due diligence on acquisition targets, these efforts may not always prove to be sufficient in identifying all risks and liabilities related to the acquisition, including as a result of: limited access to information; time constraints for conducting due diligence; inability to access target company facilities and/or personnel; or other limitations in the due diligence process. Additionally, the Company may identify risks and liabilities that cannot be sufficiently mitigated through appropriate contractual or other protections. The realization of any such risks could have a material adverse effect on the Company's operations or profitability.

The occurrence of any one or more of these factors could cause the Company not to realize the benefits anticipated to result from an acquisition or a joint venture, which could have a material adverse effect on the Company's business, financial condition and results of operations.

### **Potential Tax Exposures**

The Company may incur losses in some countries, which it may not be able to fully or partially offset against income the Company has earned in those countries. In some cases, the Company may not be able to utilize these losses at all if the Company cannot generate profits in those countries and/or if the Company has ceased conducting

business in those countries altogether. The Company's inability to utilize material tax losses could materially adversely affect its profitability. At any given time, the Company may face other tax exposures arising out of changes in tax laws, tax reassessments or otherwise. The Company is subject to numerous tax and accounting requirements, and changes in existing accounting or taxation rules or practices, or varying interpretations of current rules or practices, could have a significant adverse effect on the Company's financial results, the manner in which it conducts its business or the marketability of any of its products. The geographic scope of the Company's business requires the Company to comply with the tax laws and regulations of multiple jurisdictions. Requirements as to taxation vary substantially among jurisdictions. Complying with the tax laws of these jurisdictions can be time consuming and expensive and could potentially subject the Company to penalties and fees in the future if the Company were to inadvertently fail to comply. In the event the Company was to inadvertently fail to comply with applicable tax laws, this could have a material adverse effect on the business, results of operations and financial condition of the Company. The taxation system and regulatory environment in some of the jurisdictions in which the Company operates are characterized by numerous indirect taxes and frequently changing legislation subject to various interpretations by the various regulatory authorities and jurisdictions that are empowered to impose significant fines, penalties and interest charges. The Company's subsidiary in Brazil is currently being assessed by the State of Sao Paulo tax authorities for certain historical value added tax credits claimed on aluminum purchases from certain local suppliers that occurred prior to the acquisition of the Brazil subsidiary in 2011. Although the Company believes that it has complied in all material respects with the legislation in Brazil and has obtained legal advice to such effect there is no assurance that the Company will be successful with respect to such assessment (see Note 24 to the Company's consolidated financial statements for the year ended December 31, 2020). To the extent the Company cannot implement measures to offset this and other tax exposures, it may have a material adverse effect on the Company's profitability. (See "*Legal Proceedings*".)

### **Cybersecurity Threats**

The Company relies upon IT networks and systems to process, transmit and store electronic information, and to manage or support a variety of business processes or activities. Additionally, the Company and certain of its third-party vendors collect and store personal information in connection with human resources operations and other aspects of the Company's business. The secure operation of these IT networks and systems and the proper processing and maintenance of this information are critical to the Company's business operations. The reliability and security of the Company's information technology (IT) systems is important to the Company's business and operations. Although the Company has established and continues to enhance security controls intended to protect the Company's IT systems and infrastructure, there is no guarantee that such security measures will be effective in preventing unauthorized physical access or cyber-attacks and the Company's IT systems are at risk to damages from computer viruses, unauthorized access, cyber-attack and other similar disruptions. The occurrence of any of these events could compromise the Company's networks, and the information stored there could be accessed, publicly disclosed or lost. A significant breach of the Company's IT systems could, among other things, cause disruptions in the Company's manufacturing operations (such as operational delays from production downtime, inability to manage the supply chain or produce product for customers, disruptions in inventory management), lead to the loss, destruction, corruption or inappropriate use of sensitive data, including employee information, result in lost revenues due to theft of funds or due to a disruption of activities, including remediation costs, or from litigation, fines and liability or higher insurance premiums, the costs of maintaining security and effective IT systems, which could negatively affect results of operations and the potential adverse impact of changing laws and regulations related to cybersecurity or result in theft of the Company's, its customers' or suppliers' intellectual property or confidential information. If any of the foregoing events (or other events related to cybersecurity) occurs, the Company may be subject to a number of consequences, including reputational damage, a diminished competitive advantage and negative impacts on future opportunities which could have a material adverse effect on the Company. In addition, any such access, disclosure or other loss of information could result in legal claims or proceedings, liability or regulatory penalties under laws protecting the privacy of personal information, the disruption of the Company's operations or damage to the Company's reputation. The Company may also be required to incur significant costs to protect against damage caused by these disruptions or security breaches in the future. Any of these issues could have a material adverse effect on the Company's business, financial condition and results of operations. In addition, any failure, disruption or breach of the Company's IT networks and systems could compromise the integrity or confidentiality of the Company's customers' information. Any actual or perceived failure, disruption or breach of the Company's IT networks and systems could materially impair our reputation and cause the Company to lose customers or revenue, or become subject to litigation, necessitate customer service or repair work that would involve substantial costs and distract management from operating our

business. Any failure or perceived failure to protect the Company's customers' information could have a material adverse effect on the Company's business, financial condition and results of operations.

### **Potential Rationalization Costs and Turnaround Costs**

The Company has incurred restructuring costs over the past several years, sometimes in conjunction with the cancelation of a customer program or the closing of a customer plant. In response to the increasingly competitive automotive industry conditions, it is likely that the Company will continue to rationalize some production facilities and close high cost or less efficient manufacturing facilities from time to time. In the course of such rationalization, restructuring costs related to plant closings or alterations, relocations and employee severance costs will be incurred. Such costs could have an adverse effect on short-term profitability. In addition, while the Company's goal is for every plant to be profitable, there is no assurance this will occur, which will likely result in a rationalizing or closing of the plant. Martinrea is working to turn around any financially underperforming divisions, however, there is no guarantee that it will be successful in doing so with respect to some or all such divisions. The continued underperformance of one or more operating divisions could have a material adverse effect on the Company's profitability and operations.

In certain locations where the Company's facilities are subject to leases, it may continue to incur significant challenges and costs if it were to attempt to relocate, restructure or downsize its business, including the inability to sublease any of the leased premises, in accordance with the terms of its existing leases. The Company may be unsuccessful in renegotiating these leases or it may need to make large settlements or take other actions to terminate its leases. The Company attempts to align production capacity with demand; however, the Company cannot provide any assurance that it will not close or relocate manufacturing facilities in the future, which could result in adverse publicity and have a material adverse effect on the Company's business, financial condition and results of operations.

### **Launch and Operational Costs and Cost Structure**

There are many factors that could affect the Company's ability to manage its cost structure that the Company is not able to control, including the need for unexpected significant capital expenditures and unexpected changes in commodity or component pricing that the Company is unable to pass on to its suppliers or customers. As a result, the Company may be unable to manage its operations to profitably meet current and expected market demand. Further, the Company operates in a capital-intensive industry. The Company's inability to maintain its cost structure could adversely impact the Company's operating margins and results of operations.

The launch of new business, in an existing or new facility, is a complex process, the success of which depends on a wide range of factors, including the production readiness of the Company and its suppliers, as well as factors related to tooling, equipment, employees, initial product quality and other factors. A failure to successfully launch material new or takeover business could have an adverse effect on profitability. Significant launch costs were incurred by the Company in recent years.

The Company's manufacturing processes are vulnerable to operational problems that can impair its ability to manufacture its products in a timely manner, or which may not be performing at expected levels of profitability. The Company's facilities contain complex and sophisticated machines that are used in its manufacturing processes. The Company has in the past experienced equipment failures and could experience equipment failure in the future due to wear and tear, design error or operator error, among other things, which could have an adverse effect on profitability.

From time to time, the Company may have some operating divisions which are not performing at expected levels of profitability. The complexity of automotive manufacturing operations often makes it difficult to achieve a quick turnaround of underperforming divisions. Significant underperformance of one or more operating divisions could have a material adverse effect on the Company's profitability and operations. To compete effectively in the automotive supply industry, the Company must be able to launch new products to meet its customers' demands in a timely manner. The Company cannot ensure, however, that it will be able to install and validate the equipment needed to produce products for new customer programs in time for the start of production or that the transitioning of its manufacturing facilities and resources to full production under new product programs will not impact production rates or other operational efficiency measures at its facilities. In addition, the Company cannot ensure that its customers will execute on schedule the launch of their new product programs, for which the Company might supply products. The Company may fail to successfully launch or be affected by its customers' delay in introducing new programs, and

its customers may fail to successfully launch new programs, which could have a material adverse effect on the Company's business, financial condition and results of operations.

### **Labour Relations Matters**

The Company has a significant number of its employees subject to collective bargaining agreements, as do many of the Company's customers and suppliers. To date, the Company has had no material labour relations disputes. However, production may be affected by work stoppages and labour-related disputes (including labour disputes of the Company's customers and suppliers), whether in the context of potential restructuring or in connection with negotiations undertaken to ensure a division's competitiveness, or otherwise, which may not be resolved in the Company's favour and which may have a material adverse effect on the Company's operations. The Company cannot predict whether and when any labour disruption may arise or how long such disruption could last. A significant labour disruption could lead to a lengthy shutdown of the Company or its customers' or suppliers' facilities or production lines, which could have a material adverse effect on the Company's operations and profitability.

### **Trade Restrictions**

The global growth of the automotive industry has been aided by the free movement of goods, services, people and capital through bilateral and regional trade agreements, particularly in North America and Europe. In Europe, for example, uncertainty remains regarding the impact of Brexit – the United Kingdom's decision to withdraw from the European Union – and the nature of any trade agreements or arrangements that may result. Introduction of measures which impede free trade, including new or increased tariffs and other trade barriers, could have a material adverse effect on the Company's operations and profitability. (See also "*Changes in Laws and Governmental Regulations*".)

Current international trade disputes could, among other things, reduce demand for and production of vehicles, disrupt global supply chains, distort commodity pricing, impair the ability of automotive suppliers and vehicle manufacturers to make efficient long-term investment decisions, create volatility in relative foreign exchange rates, and contribute to stock market volatility.

### **Changes in Laws and Governmental Regulations**

A significant change in the regulatory environment in which the Company currently carries on business could adversely affect the Company's operations.

The Company's operations could be adversely impacted by significant changes in tariffs and duties imposed on its products, particularly significant changes to the USMCA (formerly NAFTA), the CPTPP or Brexit, the adoption of domestic preferential purchasing policies in other jurisdictions, particularly the United States or China (such as increased tariffs or investigations relating to anti-dumping) or positive or negative changes in tax or other legislation. The Company's operations could also be adversely impacted by changes in rules relating to the movement of goods and people across borders, or changes in labour laws and regimes in the jurisdictions in which it operates, including immigration policies, which prevent the movement or recruitment of key Company employees and skilled tradespersons. In addition, the Company could be exposed to increased customs audits due to governmental policy, which could lead to additional administrative burden and costs and also carry the potential of a material fine or significant reputational risk. Changes in legislation or regulation could lead to additional administrative burden and costs in general, and also carry the potential of a material fine or significant reputational risk. Changes in laws or regulations could also result in the Company shifting its operations to more favourable jurisdictions.

### **Litigation and Regulatory Compliance and Investigations**

The Company has been and is involved in litigation from time to time and has received, in the past, letters from third parties alleging claims and claims have been made against it including those described under "Legal Proceedings". Although litigation claims may ultimately prove to be without merit, they can be time-consuming and expensive to defend. There can be no assurance that third parties will not assert claims against the Company in the future or that any such assertion will not result in costly litigation, or a requirement that the Company enter into costly settlement arrangements. There can be no assurance that such arrangements will be available on reasonable terms, or at all. Due to the inherent uncertainties of litigation, it is not possible to predict the outcome or determine the amount of any potential losses or the success of any claim or of any law suit referenced under "Legal Proceedings" and any



other claims to which the Company may be subject. In addition, there is no assurance that the Company will be successful in a litigation matter. Any of these events may have a material adverse effect on the Company's business, financial condition and results of operations. See "*Legal Proceedings*". The Company's policy is to comply with all applicable laws. However, the Company or its directors and officers may also be subject to regulatory risk in the markets in which it operates (for example, antitrust and competition regulatory authorities, tax authorities, anti-bribery and corruption authorities, cybersecurity risk and privacy legislation such as GDPR). Regulatory investigations, if any, can continue for several years, and depending on the jurisdiction and type of proceeding can result in administrative or civil or criminal penalties that could have a material adverse effect on the Company's profitability or operations (even where the Company or any of its officers or directors is innocent, investigations can be expensive to defend). Additionally, the Company could be subject to other consequences including reputational damage, which could have a material adverse effect on the Company.

### **Quote/Pricing Assumptions**

The time between award of new production business and start of production typically ranges between two and four years. Since product pricing is typically determined at the time of award, the Company is subject to significant pricing risk due to changes in input costs and quote assumptions between the time of award and start of production. The inability to quote effectively, or the occurrence of a material change in input cost or other quote assumptions between program award and production, could have an adverse effect on the Company's profitability.

The realization of incremental revenues from awarded business is inherently subject to a number of risks and uncertainties, including estimates with respect to vehicle production levels on new and replacement programs, customer price reductions, currency exchange rates and the timing of program launches (which may be delayed by the customer). There is typically a lead time, which can be significant, from the time an OEM customer awards the Company a program until the program is launched and the Company begins production of vehicles within such program. In many cases, the Company must commit substantial resources in preparation for production under awarded business well in advance of the customer's production start date. Furthermore, the Company relies on longer-term forecasts from its customers to plan its capital expenditures. If these forecasts prove to be inaccurate, either the Company may have spent too much on capacity growth for unrealized production demand, which could require the Company to consolidate facilities and leave the Company unable to recover pre production costs, or the Company may have invested too little on capital expenditures for capacity growth, in which case the Company may be unable to satisfy customer demand, either of which could have a material adverse effect on the Company's business. The Company typically enters into agreements for its customers' purchasing requirements for the entire production life of the program (and the vehicles forming part of the program). However, industry standard terms typically contain certain provisions that allow the customer to cancel the contract for convenience. The Company's ability to obtain compensation from its customers for such cancellation, if the cancellation is through no fault of the Company, is generally limited to the direct costs it has incurred for raw materials and work-in-process and, in certain instances, unamortized investment costs. In addition, industry conditions and competition could lead the Company's customers to attempt to reduce fixed costs, including through facility closures or relocations. Facility closures or relocations relating to vehicle models for which the Company is a significant supplier could reduce the Company's sales and result in losses and impairments with respect to certain of the Company's Products and programs. If the Company does not realize all of the sales expected from awarded business, it could have a material adverse effect on its business, financial condition and results of operations.

### **Currency Risk - Hedging**

A substantial portion of the Company's revenues are now, and are expected to continue to be, realized in currencies other than Canadian dollars, primarily the U.S. dollar. Fluctuations in the exchange rate between the Canadian dollar and such other currencies may have a material effect on the Company's results of operations. To date, the Company has engaged in some hedging activities to mitigate the risk of identified exchange rate exposures. To the extent the Company may seek to implement more substantial hedging techniques in the future with respect to its foreign currency transactions, there can be no assurance that the Company will be successful in such hedging activities.

## **Currency Risk - Competitiveness in Certain Jurisdictions**

Currency fluctuations may negatively or positively affect the competitiveness of the Company's operations in a particular jurisdiction. As a result, the Company may move some existing work to another country, or may source work to different divisions, in order for the Company to remain or become competitive. Any work shifts may entail significant restructuring and other costs as work is shifted, as plants are consolidated, downsized or closed, or as plants in other jurisdictions are expanded.

## **Fluctuations in Operating Results**

The Company's operating results have been and are expected to continue to be subject to quarterly and other fluctuations due to a variety of factors including changes in purchasing patterns, production schedules of customers (which tend to include a shutdown period in each of July and December), pricing policies, launch costs, or operational (or equipment or systems) failures, or product introductions by competitors. This could affect the Company's ability to finance future activities. Operations could also be adversely affected by general economic downturns, an economic shock not contemplated in our business plan, a rapid deterioration of conditions or limitations on spending. The occurrence of or a prolonged recession could result in the depletion of our cash resources, which could have a material adverse effect on our operations and financial condition.

## **Internal Controls Over Financial Reporting and Disclosure Controls and Procedures**

Inadequate disclosure controls or ineffective internal controls over financial reporting could result in an increased risk of material misstatements in the financial reporting and public disclosure record of the Company. Inadequate controls could also result in system downtime, give rise to litigation or regulatory investigation, fraud or the inability of the Company to continue its business as presently constituted. The Company has designed and implemented a system of internal controls and a variety of policies and procedures to provide reasonable assurance that material misstatements in the financial reporting and public disclosures are prevented and detected and corrected on a timely basis and other business risks are mitigated. In accordance with the guidelines adopted in Canada, the Company assesses the effectiveness of its internal and disclosure controls using a top-down, risk-based approach in which both qualitative and quantitative measures are considered. An internal control system, no matter how well conceived and operated, can provide only reasonable – not absolute – assurance to management and the Board regarding achievement of intended results. The inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of certain persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and may not be detected in a timely manner or at all. Changes in internal controls due to remote work arrangements adopted in response to the COVID-19 Pandemic may result in control deficiencies and impact the Company's financial reporting systems, which may also be material. The Company's current system of internal and disclosure controls also places reliance on key personnel across the Company to perform a variety of control functions including key reviews, analysis, reconciliations and monitoring. The failure of individuals to perform such functions or properly implement the controls as designed could adversely impact results.

## **Environmental Regulation and Climate Change**

The Company is subject to a variety of environmental regulations by the federal, provincial and municipal authorities in Canada, the United States, Mexico, South America, Europe, China and Japan that govern, among other things: activities or operations that may have an adverse environmental effect; soil, surface water and groundwater contamination; the generation, storage, handling, use, disposal and transportation of hazardous materials; the emission and discharge of materials, including greenhouse gases, into the environment; and health and safety. If the Company fails to comply with these laws, regulations or permits, the Company could be fined or otherwise sanctioned by regulators or become subject to litigation or obligations to investigate or remediate existing or potential contamination, third-party property damage claims, personal injury claims, or modification or revocation of operating permits and may lead to temporary or permanent business interruptions. Environmental and pollution control laws, regulations and permits, and the enforcement thereof, change frequently, have tended to become more stringent over time and may necessitate substantial capital expenditures or operating costs or may require changes of production processes. Environmental regulation in any one jurisdiction in which the Company operates may impact the business of the Company to the extent that jurisdiction becomes less competitive. Compliance with the requirements of laws and

regulations affect ongoing operations and may increase capital costs and operating expenses, particularly if the applicable laws and regulations become increasingly stringent or more stringently enforced in the future. The Company may be required to use different materials in its production due to changing environmental restrictions or due to customer specifications. Material substitution may cause the Company to incur additional capital and operating costs. In addition to the foregoing, the Company may also incur costs and expenses resulting from environmental compliance, contamination or incidents, such as any changes to facilities to address physical, health and safety or regulatory constraints, repair or rebuilding facilities impacted by adverse weather events, or research and development activities related to more environmentally efficient operations and processes, as well as other potential costs. (See also “*Financial Viability of Suppliers*”.)

Under certain environmental requirements, the Company could be responsible for costs relating to any contamination at the Company’s or a predecessor entity’s current or former owned or operated properties or third-party waste-disposal sites, even if the Company was not at fault. In addition to potentially significant investigation and cleanup costs, contamination can give rise to third-party claims for fines or penalties, natural resource damages, personal injury or property damage.

The Company’s operations may also be impacted by environmental policies at any of its customers or suppliers to the extent that it affects production or volumes. The Company and its customers are also under pressure to meet tighter emissions regulations, reduce fuel consumption and act with more environmental responsibility, which may impact the Company’s business and operations. Foreign, federal, state, provincial and local regulatory and legislative bodies have proposed various legislative and regulatory measures relating to climate change, regulating greenhouse gas emissions and energy policies, including, without limitation, CAFE standards and California’s agreement with major OEMs to increase fuel efficiency. The Company endeavours to be environmentally responsible and recognizes that the competitive pressures for economic growth and cost efficiency must be integrated with sound sustainability management, including environmental stewardship. The Company has adopted sourcing and other business practices to address environmental concerns of its customers. Despite these efforts, evolving customer concerns could negatively affect the Company’s reputation and financial performance. Due to the uncertainty in the regulatory and legislative processes, as well as the scope of such requirements and initiatives, the Company cannot currently determine the effect such legislation and regulation may have on its operations or on the production of, or demand for, vehicles, including light trucks.

The Company cannot provide assurances that the Company’s costs, liabilities and obligations or any resulting impact on its revenues due to customer requirements or changes in supply chain requirements relating to environmental matters (or any issues that may arise as a result of its customers’ or suppliers’ own environmental compliance, including any environmental compliance or trends that may impact their businesses) will not have a material adverse effect on the Company’s business, financial condition, results of operations and cash flow.

The Company requires compliance with its policies both internally and, where relevant, for its suppliers. Although the Company requires its suppliers to comply with these guidelines, there is no guarantee that these suppliers will not take actions that hurt the Company’s reputation, as they are independent third parties that the Company does not control. However, if there is a lack of apparent compliance, it may lead the Company to search for alternative suppliers. This may have an adverse effect on the Company’s financial results, by increasing costs, potentially causing shortages in products, delays in delivery or other disruptions in operations. (See “*Supply Chain Responsibility*”.)

The Company’s operations may also be impacted by any environmental policies or incidents at any of its customers or suppliers to the extent that it affects production or volumes.

In addition, the physical occurrence of severe weather conditions or one or more natural disasters, whether due to climate change or naturally occurring, such as, floods, wild fires, tornadoes, hurricanes and windstorms, snowstorms and other natural disasters such as earthquakes, tsunamis or hurricanes, including extreme weather caused by climate change, in a country in which the Company operates or in which its suppliers or customers are located, could cause catastrophic destruction to some of the Company’s or the Company’s suppliers’ or customers’ facilities, which could have a material impact on the availability of a product, disrupt the Company’s production and/or prevent the Company from supplying products to its customers which could have a material adverse effect on its business, financial condition and results of operations. Such events could result in physical damage to and complete or partial closure of one or more of the Company’s or its customers’ manufacturing facilities; temporary or long-term disruption in the supply of

raw materials from the Company's suppliers; disruptions to the Company's production or ability of the Company's employees to work efficiently; and / or disruptions or delays in the transport of the Company's products to its customers or their vehicles to their customers. The Company has policies and procedures in place to mitigate such risk and to obtain alternate supply, where practical, however it may not be possible in all cases or for a critical component. Physical risks related to extreme weather events or natural disasters cannot be predicted and the frequency and severity of any such event can vary including by region. Any interruption to the Company's supply of product or resulting changes in price to the Company could lower the Company's revenues, increase its operating costs and impact its financial results. A catastrophic destruction of the Company's or the Company's suppliers' facilities could have a material adverse effect on the Company's operations and profitability. (See also "*Financial Viability of Suppliers*".)

The Company cannot provide assurances that the Company's costs, liabilities and obligations or any resulting impact on its revenues due to customer requirements or changes in supply chain requirements relating to environmental matters (or any issues that may arise as a result of its customers' or suppliers' own environmental compliance or incidents, including any environmental compliance or incidents or trends that may impact their businesses) or from environmental matters in general, including any arising from climate change, will not have a material adverse effect on the Company's business, financial condition, results of operations and cash flow.

### **Loss of Use of Key Manufacturing Facilities**

While the Company manufactures its products in several facilities and maintains insurance covering its facilities, including business interruption insurance, a catastrophic loss of the use of all or a portion of one of the Company's manufacturing facilities due to accident, weather conditions, acts of war, political unrest, terrorist activity, natural disaster, labour issues or otherwise, whether short-term or long-term, could have a material adverse effect on the Company's business, financial condition and results of operations.

### **A Shift Away from Technologies in Which the Company is Investing**

The Company continues to invest in technology and innovation which the Company believes will be critical to its long-term growth. Changes in legislative, regulatory or industry requirements or in competitive technologies, including manufacturing processes, may render certain of the Company's products obsolete or less attractive or may result in the Company's operations not being cost-competitive. The Company's ability to anticipate changes in technology and trends and to successfully develop and introduce new and enhanced products and/or manufacturing processes on a timely basis will be a significant factor in its ability to remain competitive. If the Company is unsuccessful or is less successful than its competitors in consistently developing innovative products, processes and / or use of materials, the Company may be placed at a competitive disadvantage, which could have a material adverse effect on the Company's business, financial condition and results of operations. If there is a shift away from the use of technologies in which the Company is investing, or a change in trends its costs may not be fully recovered. In addition, the Company may be placed at a competitive disadvantage if other technologies in which the investment is not as great, or the Company's expertise is not as developed, emerge as the industry-leading technologies. This could have a material adverse effect on the Company's profitability and financial condition.

### **Intellectual Property**

The Company relies upon trademarks, copyrights, patents and contractual restrictions to protect its know-how, trade secrets and other intellectual property. Failure to protect the Company's intellectual property rights may undermine its competitive position and protecting its rights or defending against third-party allegations of infringement may be costly, which could have a material adverse effect on the Company's business, financial condition and results of operations. Protection of proprietary processes, designs, moldings, know-how, trade secrets, documentation and other technology is critical to the Company's business. Failure to protect, monitor and control the use of the Company's existing designs, know-how, trade secrets and other intellectual property rights could cause the Company to lose its competitive advantage and incur significant expenses. However, the measures the Company takes to protect its know-how, trade secrets and other intellectual property rights may be insufficient. While the Company enters into confidentiality and proprietary rights agreements and agreements for assignment of invention with its employees and third parties to protect its know-how, trade secrets and intellectual property rights, such agreements and assignments could be breached and may not provide meaningful protection. Also, others may independently develop technologies

or products that are similar to the Company's. In such case, the Company's know-how and trade secrets would not prevent competition from third-parties. Third-parties may seek to oppose, cancel or invalidate the Company's intellectual property rights, which could have a material adverse effect on the Company's business, financial condition and results of operations. The costs associated with the protection of the Company's know-how, trade secrets, intellectual property and the Company's proprietary rights and technology are ongoing. Third-parties or employees may infringe or misappropriate the Company's proprietary technologies or other intellectual property rights, which could harm the Company's business and operating results. Policing unauthorized use of intellectual property rights can be difficult and expensive, and adequate remedies may not be available. Failure to protect or enforce the Company's intellectual property rights may undermine its competitive position and protecting its rights or defending against third-party allegations of infringement may be costly, which could have a material adverse effect on the Company's business, financial condition and results of operations. If the Company's technology infringes on the proprietary rights of others, its ability to compete may be impaired. Third-parties may bring legal claims, or threaten to bring legal claims, against the Company that their intellectual property rights are being infringed or violated by the Company's use of intellectual property. Litigation or threatened litigation, regardless of merit, could be costly, time consuming to defend, require the Company to redesign its products or manufacturing processes, if feasible, distract senior management from operating the Company's business and / or require the Company to enter into royalty or licensing agreements in order to obtain the right to use a third party's intellectual property. Any such royalty or licensing agreements, if required, may not be available to the Company on acceptable terms or at all. If the Company were to be found liable for any such infringement, the Company could be required to pay substantial damages and could be subject to injunctions preventing further infringement. In addition, any payments the Company is required to make and any injunctions with which the Company is required to comply as a result of infringement claims could be costly. Any legal claims or litigation could have a material adverse effect on the Company's business, financial condition and results of operations. If a third-party claims to have licensing rights with respect to components the Company purchased from a vendor, the Company may be obligated to cease using these components, incur associated costs if the vendor is unwilling or unable to reimburse the Company and be subject to liability under various civil and criminal causes of action, including damages and injunctions. Additionally, the Company will be required to purchase new components to replace any it has purchased and are unable to use. Any such events could have a material adverse effect on the Company's business, financial condition and results of operations.

### **Competition with Low Cost Countries**

The competitive environment in the automotive industry has intensified as customers seek to take advantage of low wage costs in China, Korea, Thailand, India and other low-cost countries. As a result, there is potentially increased competition from suppliers that have manufacturing operations in low-cost countries. The loss of any significant production contract to a competitor in low cost countries or significant costs and risks incurred to enter and carry on business in these countries could have an adverse effect on profitability.

### **The Company's ability to shift its manufacturing footprint to take advantage of opportunities in growing markets**

Many of the Company's customers have sought, and will likely continue to seek to take advantage of lower operating costs and/or other advantages in Mexico, China, India, Brazil, Russia, South Korea and other growing markets. While the Company continues to expand its manufacturing footprint with a view to taking advantage of manufacturing opportunities in some of these markets, the Company cannot guarantee that it will be able to fully realize such opportunities. The inability to quickly adjust its manufacturing footprint to take advantage of manufacturing opportunities in these markets could harm its ability to compete with other suppliers operating in or from such markets, which could have an adverse effect on its profitability. The loss of any significant production contract to a competitor in a lower-cost market or the significant costs and risks incurred to follow a customer into and carry on business in these growing markets could have an adverse effect on the Company's profitability.

### **Risks of conducting business in foreign countries, including China, Brazil and other growing markets**

The Company has or may establish foreign manufacturing, assembly, product development, engineering and research and development operations in foreign countries, including in Mexico, Europe, China and Brazil. International operations, including Mexico, are subject to certain risks inherent in doing business abroad, including:

- political, civil and economic instability;
- corruption risks;
- trade, customs and tax risks;
- currency exchange rates and currency controls;
- limitations on the repatriation of funds;
- insufficient infrastructure;
- restrictions on exports, imports and foreign investment;
- environmental risk;
- increases in working capital requirements related to long supply chains;
- changes in labour laws and regimes and labour strife;
- difficulty in protecting intellectual property rights; and
- different and challenging legal systems.

Expanding the Company's business in growing markets is an important element of its strategy and, as a result, the Company's exposure to the risks described above may be greater in the future. The likelihood of such occurrences and their potential effect on the Company vary from country to country and are unpredictable, however any such occurrences could have an adverse effect on the Company's profitability. Current relations, trade and otherwise, between China, the U.S. and Canada have increased some of the risks of operating in China and dealing with Chinese operations.

#### **Change in the Company's mix of earnings between jurisdictions with lower tax rates and those with higher tax rates.**

The Company's effective tax rate varies in each country in which it conducts business. Changes in its mix of earnings between jurisdictions with lower tax rates and those with higher tax rates could have a material adverse effect on the Company's profitability.

#### **Pension Plans and other post employment benefits**

The Company's pension plans acquired as a result of the acquisition of the North American body and chassis business of ThyssenKrupp Budd in 2006 (the "TKB Acquisition") had an aggregate funding deficiency as at the latest measurement date of December 31, 2020, based on an actuarial estimate for financial reporting. The unfunded liability at December 31, 2020, on a solvency basis which currently represents the basis for annual pension funding, is significant. Based on current interest rates, benefits and projected investment returns, the Company is obligated to fund some amounts in 2021 and beyond. A significant portion of the estimated funding is expected to be a payment towards the reduction of the unfunded liabilities. The unfunded liability could increase due to a decline in interest rates, investment returns at less than the actuarial assumptions, or changes to the governmental regulations governing funding and other factors. The Company could be adversely affected by the resulting increases in annual funding obligations. See also Note 15 ("Pension and Other Post Retirement Benefits") to the Company's consolidated financial statements for the year ended December 31, 2020, which reflects the financial position of the Company's defined benefit pension plan and other post-employment benefit plans at December 31, 2020.

The Company provides certain post-employment benefits to certain of its retirees acquired as a result of the TKB Acquisition. These benefits include drug and hospitalization coverage. The Company does not pre-fund these obligations. At December 31, 2020, the unfunded actuarial liability for these obligations was significant. Expected benefit payments for 2021 and beyond are significant. The Company's obligation for these benefits could increase in the future due to a number of factors including changes in interest rates, changes to the collective bargaining agreements, increasing costs for these benefits, particularly drugs, and any transfer of costs currently borne by government to the Company. The Company has in the past negotiated changes to its post-employment benefits package in several of its facilities with its employees, in conjunction with the applicable union for the facility, setting maximum limits on future post-employment benefits payments. The Company may negotiate similar arrangements in future in respect of such benefits at other facilities, as applicable. See also Note 15 ("Pension and Other Post Retirement Benefits") to the Company's consolidated financial statements for the year ended December 31, 2020, which reflect the financial position of the Company's post-employment benefits other than pension plans at December 31, 2020.

## **Impairment Charges**

The Company may take, in the future, significant impairment charges, including charges related to long-lived assets. The early termination, loss, renegotiation of the terms of, or delay in the implementation of, any significant production contract could be indicators of impairment. In addition, to the extent that forward-looking assumptions regarding: the impact of turnaround plans on underperforming operations; new business opportunities; program price and cost assumptions on current and future business; the timing and success of new program launches; and forecast production volumes, are not met, any resulting impairment loss could have a material adverse effect on the Company's profitability.

## **Potential Volatility of Share Prices**

The market price of the Company's common shares has been, and will likely continue to be, subject to significant fluctuations in response to a variety of factors, many of which are beyond the Company's control. These fluctuations may be exaggerated if the trading volume of the common shares is low. In addition, due to the evolving nature of its business, the market price of the common shares may fall dramatically in response to a variety of factors, including quarter-to-quarter variations in operating results, the gain or loss of significant contracts, announcements of technological or competitive developments by the Company or its competitors, acquisitions or entry into strategic alliances by the Company or its competitors, the gain or loss of a significant customer or strategic relationship, changes in estimates of the Company's financial performance, changes in recommendations from securities analysts regarding the Company, the industry or its customers' industries, litigation involving the Company or its officers and general market or economic conditions.

In certain circumstances that the Company determines that its share price is undervalued, the Company may use funds that would otherwise be available for its operations or other uses, to repurchase its own shares as an investment. However, there can be no assurances that any such repurchase of shares will have a positive impact on the Company's share price.

## **Dividends**

The declaration and payment of dividends, including the dividend rate, is subject to the Board's discretion taking into account the Company's cash flow, capital requirements, financial condition and other factors the Board considers relevant. These factors are, in turn, subject to various risks, including the risk factors set out above. While the Company aims to pay a consistent dividend and may increase the dividend over time, the Company's Board may in certain circumstances determine that it is in the best interests of the Company to reduce or suspend the dividend. In such event, the trading price of the Common Shares of the Company may be materially affected.

## **Private or Public Equity Investments in Technology Companies**

In addition to the Company's development activities, the Company has invested approximately \$40 million in NanoXplore Inc. and other technology companies. Such investments are an important element of the Company's long-term strategy and the Company may make further private equity investments in such companies. Investing in such companies involves a high degree of risk, including the potential loss of some or all of the investment value. In addition, where there is no public market for the shares of the investments in start-ups, the Company may be unable to monetize its equity investments in the future. The materialization of such investment-related risks could have an adverse effect on our profitability and financial condition.

## **Joint Ventures**

The Company has in the past and may from time to time conduct certain of its operations through joint ventures under contractual arrangements under which it shares management responsibilities with one or more partners. Certain of the Company's future cash flows and earnings and its results of operations and financial condition may in part depend on the Company retaining its ownership interests in its joint venture investments. Joint venture operations carry a range of risks, including those relating to: failure of a joint venture partner to satisfy contractual obligations; potential conflicts between the Company and the joint venture partner; strategic objectives of joint venture partner(s) that may differ from the Company's; potential delays in decision-making; a more limited ability to control legal and regulatory compliance within the joint venture(s); and other risks inherent to non-wholly-owned operations. The

likelihood of such occurrences and potential effect on the Company may vary depending on the joint venture arrangement; however, the occurrence of any such risks could have an adverse effect on the Company's operations, profitability and reputation;

### **Lease Obligations**

The Company leases much of its manufacturing facilities and some of its capital equipment. A failure to pay the Company's lease obligations may constitute a default allowing the applicable landlord or lessor to pursue remedies available to it under the Company's leases and applicable law, which could include taking possession of property that the Company utilizes in its business resulting in the Company's failure to supply customers and, in the case of facility leases, evicting the Company, which could have a material adverse effect on the Company's business, financial condition and results of operations. The terms and restrictions of certain of the Company's facilities leases, may present significant challenges and costs to the Company if it were to attempt to restructure or downsize its business, including the inability to sublease any of the leased premises or relocate certain of its manufacturing facilities.

### **11. PROMOTERS**

No individual or business meets the definition of promoter over the prior three-year period.

### **12. LEGAL PROCEEDINGS**

The Company is from time to time subject to various litigation proceedings none of which, in management's opinion, are material to the Company. In December 2020, a customer filed a claim against two subsidiaries of the Company alleging breach of contract in relation to aluminum engine blocks. Although the Company believes there has been in all material respect, no breach of contract, and that the litigation is not material to the Company, there is no assurance it will be successful in the litigation.

As described under "*Potential Tax Exposures*", the Company's subsidiary in Brazil is currently being assessed by the State of Sao Paulo tax authorities for certain value added tax credits claimed, which are in the administrative process in Brazil, which may be proceeding to, or are in the litigation process. Although the Company believes that it has complied in all material respects with the legislation in Brazil and has obtained legal advice to such effect there is no assurance that the Company will be successful with respect to such assessments and/or litigation.

See Note 24 ("Commitments and Contingencies") to the Company's consolidated financial statements for the year ended December 31, 2020.

### **13. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Rob Wildeboer, the Executive Chairman of the Company, was a founding partner with the law firm Wildeboer Dellelce LLP, which acts as outside legal counsel for the Company on a variety of matters. Although Wildeboer Dellelce LLP from time to time receives compensation from the Company for legal services rendered, Mr. Wildeboer does not receive any such compensation personally from Wildeboer Dellelce LLP, whether directly or indirectly. He is a full-time employee of the Company, has been so for over 19 years, and is no longer a partner and has no current equity interest or profit participation in the law firm.

### **14. TRANSFER AGENT AND REGISTRAR**

The Company's transfer agent and registrar is Computershare Investor Services Inc., Toronto, Ontario.

### **15. MATERIAL CONTRACTS**

The Company has not entered into any material contracts, other than contracts entered into in the ordinary course of business, on or after December 31, 2019 or that before December 31, 2020 remains in effect, which have been disclosed on the Company's public record at [www.sedar.com](http://www.sedar.com).



## 16. INTERESTS OF EXPERTS

KPMG LLP has provided an auditor's report in respect of the consolidated financial statements of the Company for the year ended December 31, 2020. KPMG LLP has confirmed that they are independent of the Company within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation.

## 17. ADDITIONAL INFORMATION

Additional information regarding the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

Management's Discussion and Analysis of Operating Results and Financial Position and the Company's audited consolidated financial statements for the year ended December 31, 2020 can be found on SEDAR and are set out in the Company's Report to Shareholders for the year ended December 31, 2020. Additional information is provided about the Company in these documents.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, and options to purchase the Company's securities authorized for issuance under equity compensation plans is contained in the Company's Management Information Circular dated May 7, 2020, furnished in connection with the Company's annual meeting of shareholders held on June 9, 2020, or in its most recent Management Information Circular filed on [www.sedar.com](http://www.sedar.com).

### Additional Information Prescribed By Form 52-110F1

1. ***Audit Committee Charter*** – See Appendix “C” attached hereto.
2. ***Composition of Audit Committee*** – For 2020, the Audit Committee was composed of Terry Lyons (Chair), Roman Doroniuk (now deceased), Fred Olson and Dave Schoch, each of whom is independent and, based on such individual's education and experience, is financially literate. (i) Mr. Lyons is a Civil Engineer (UBC) with an MBA from the University of Western Ontario and has over 40 years of experience in the development, financing and management of natural resource, manufacturing, real estate and merchant banking companies. He successfully completed the Directors Education Program from the Institute of Corporate Directors which is provided by the Rotman School of Management at the University of Toronto. (ii) Mr. Doroniuk was a Chartered Professional Accountant with over 30 years of business experience and was a recognized expert in restructurings and financial advisory work. Mr. Doroniuk passed away in November, 2020. (iii) Mr. Olson is an experienced automotive executive at the most senior levels, with in-depth understanding of the automotive industry and the economics related to it at the company and plant level. As a past president of a Tier One automotive parts supplier, he was responsible for the financial performance of his company and worked continuously with financial results and reporting. He successfully completed the Directors Education Program from the Institute of Corporate Directors which is provided by the Rotman School of Management at the University of Toronto in 2011. (iv) Mr. Schoch is a recognized leader in the automotive industry. Over his 40-year career, Mr. Schoch served in global business and finance leadership positions at Ford Motor Company in Asia Pacific, Europe, Africa, Central/South America and North America. Recently, he served as Group Vice President and President, Asia Pacific, and Chairman and Chief Executive Officer, Ford China. He retired in late 2017. He has extensive board experience serving with many Ford subsidiaries and joint ventures. Mr. Schoch was the Chief Financial Officer of Ford in the Americas from 2009-2011. He served as Executive Director for Ford's operations in Canada, Mexico and South America, and was Chief Financial Officer and VP Finance and Strategic Planning for Ford Europe.
3. ***Reliance on Certain Exemptions*** – None.
4. ***Pre-approval Policy*** – The Company has implemented a policy whereby services provided by the external auditor will require specific pre-approval by the Audit Committee or its delegate.
5. ***External Auditor Service Fees*** – KPMG LLP provides professional services for audits relating to statutory and regulatory requirements. The Company retains a broad range of professional advisors from time to time for professional services, and has used and may use KPMG LLP for limited tax services such as tax compliance, planning and tax advice.

The following table sets forth the various services provided by KPMG LLP and its affiliates to the Company during each of the Company's last two fiscal years, together with the fees billed for such services:

Fees	Fees Billed During the Year Ended December 31, 2020	Fees Billed During the Year Ended December 31, 2019	Description of Services (see below)
Audit Fees	\$2,393,000	\$1,850,000	The audit services relate to professional services rendered for audits of the Company's annual consolidated financial statements and certain subsidiaries (including statutory audits and interim reviews).
Audit-related Fees	\$10,000	\$6,000	The audit-related services relate principally to advice pertaining to accounting and due diligence-related matters in connection with acquisitions, financial accounting and reporting standards, and other regulatory audits and filings for pension plans and services related to internal controls.
Tax Fees	\$96,000	\$625,000	The tax services related to services for tax compliance, tax planning, VAT and tax advice.
Other Fees	\$17,000	\$115,000	Advisory services in connection with cybersecurity-related matters and training.
<b>Total</b>	<b>\$2,516,000</b>	<b>\$2,596,000</b>	

**APPENDIX “A”**  
**LIST OF SUBSIDIARIES AS AT DECEMBER 31, 2020**

A list of our principal subsidiaries and each of their jurisdictions of incorporation as of December 31, 2020 is set out below. The Company’s legal structure (including that of our subsidiaries) is not necessarily indicative of our operational structure.

<b>Subsidiary</b>	<b>Location of Incorporation</b>	<b>Ownership Interest</b>
Martinrea Metallic Canada Inc.	Ontario, Canada	100%
Martinrea Automotive Systems Canada Ltd.	Ontario, Canada	100%
Martinrea Automotive Inc.	Ontario, Canada	100%
2008788 Ontario Ltd.	Ontario, Canada	100%
Royal Automotive Group Ltd.	Ontario, Canada	100%
Martinrea Innovation Developments Inc.	Ontario, Canada	100%
Martinrea Metal Holdings (USA), Inc.	Delaware, USA	100%
Martinrea Holdings (USA), Inc.	Delaware, USA	100%
Martinrea of America, Inc.	Delaware, USA	100%
Martinrea Industries, Inc.	Delaware, USA	100%
ICON Metal Forming, LLC	Michigan, USA	100%
Martinrea Riverside LLC	Delaware, USA	100%
Martinrea Metals of America, Inc.	Delaware, USA	100%
Martinrea Metal Industries, Inc.	Delaware, USA	100%
Martinrea Heavy Stampings Inc.	Delaware, USA	100%
Martinrea Automotive Structures (USA), Inc.	Michigan, USA	100%
Martinrea Automotive Systems (USA) LLC	Michigan, USA	100%
Martinrea Hot Stampings Inc.	Pennsylvania, USA	100%
Martinrea Hopkinsville LLC	Michigan, USA	100%
Martinrea Jonesville LLC	Michigan, USA	100%
Martinrea Tuscaloosa, Inc.	Alabama, USA	100%
Martinrea Pilot Acquisition, Inc.	Ontario, Canada	100%
2146826 Ontario Limited	Ontario, Canada	100%
Martinrea Developments de Mexico, S.A. de C.V.	Mexico	100%
Industrias Martinrea de Mexico, S.A. de C.V.	Mexico	100%
Martinrea Automotive Structures S. de R.L. de C.V	Mexico	100%
Martinrea Pilot Acquisition II, LLC	Delaware, USA	100%
Martinrea Industries (IHC) Ltd.	United Kingdom	100%
Martinrea Europe B.V.	Netherlands	100%
Martinrea Automotive GmbH	Germany	100%
Martinrea Fluid Systems B.V.	Netherlands	100%
Martinrea International US Holdings Inc.	Delaware, USA	100%
Martinrea International US Inc.	Delaware, USA	100%

<b>Subsidiary</b>	<b>Location of Incorporation</b>	<b>Ownership Interest</b>
Martinrea Internacional de Mexico, S.A. de C.V.	Mexico	100%
Martinrea Slovakia Fluid Systems S.R.O.	Slovakia	100%
Martinrea Honsel Holdings B.V.	Netherlands	100%
Martinrea Honsel Brasil Fundição e Comércio de Peças em Alumínio Ltda	Brazil	100%
Martinrea Honsel Germany GmbH	Germany	100%
Martinrea Honsel Germany Developments GmbH	Germany	100%
Martinrea Holdings Germany GmbH	Germany	100%
Martinrea Bergneustadt GmbH	Germany	100%
Martinrea Automotive Technology (Beijing) Co. Ltd.	China	100%
Martinrea Southern African Division (Pty) Ltd.	South Africa	100%
Martinrea Stamping Plant Properties (Pty) Ltd.	South Africa	100%
Martinrea Honsel Spain S.L.U.	Spain	100%
Martinrea Honsel Mexico S.A. de C.V.	Mexico	100%
Martinrea Honsel Aluminum Parts (Holdings) Co. Ltd.	China	100%
Martinrea Honsel Aluminum Parts (Yuyao) Co. Ltd.	China	100%
Martinrea Shenyang Automotive Components Co. Limited	China	100%
Martinrea China Holdings Inc.	Ontario, Canada	100%
Martinrea Automotive Parts (Shanghai) Co. Ltd.	Shanghai	100%
Martinrea Automotive Japan Inc.	Japan	100%

Notes:

- (1) The table shows the percentages of the votes attached to all voting securities and of each class of non-voting securities, owned by the Company or over which control or direction is exercised by the Company.
- (2) Parent/subsidiary relationships are identified by indentations. Percentages represent the total equity interest in a subsidiary (direct, or indirect), which is not necessarily indicative of percentage voting control.
- (3) Subsidiaries not shown each represent less than 10% of the Company's total consolidated revenues and total consolidated assets (although not all subsidiaries shown necessarily each represent more than 10% of the Company's total consolidated assets and total consolidated sales) and, if considered in aggregate as a single subsidiary, represent less than 20% of the Company's total consolidated revenues and total consolidated assets.

## APPENDIX “B”

### FACILITIES

The Company maintains approximately 12,000,000 square feet of manufacturing space with expansion potential. The following is a summary of the Company’s and its subsidiaries’ owned and leased manufacturing facilities as at December 31, 2020. Some additional warehouse space is utilized from time to time but not listed. Each manufacturing facility strives to be a centre of excellence for the products produced there; accordingly, each facility’s principal business activity is described below.

#### *Owned Facilities*

The Company or its affiliates own the real estate listed in the table immediately below as at December 31, 2020.

Facility	Square Footage (approximate)	Principal Uses
<b>Icon Metal Forming</b> Corydon, Indiana	218,000	Specializing in medium and large stampings and assemblies.
<b>Bishop Circle Assembly</b> Manchester, Michigan	225,000	Specializing in automotive fuel, brake and vapor bundle assemblies, nylon and rubber extrusion, and capless unit assembly.
<b>Martinrea Automotive Structures</b> Hermosillo, Mexico	140,000	Assembly lines for engine cradles including stampings and welded chassis assemblies and e-coating.
<b>Martinrea Dresden</b> Dresden, Ontario	90,000	Specializing in tube bending, flow drill and tapping, spot and MIG weld automated assemblies.
<b>Martinrea Ridgetown</b> Ridgetown, Ontario	144,000	Specializing in stampings and welded assemblies.
<b>Martinrea Heavy Stampings</b> Shelbyville, Kentucky	835,000	Stamping, Class A facility. Produces body parts (e.g. side frames, fenders, door frames, doors, hatches, loading areas, floor panels, roofs, lift gates). Specializing in blanking, stampings and large welded assemblies.
<b>Martinrea Hopkinsville</b> Hopkinsville, Kentucky	472,000	Specializing in stampings and welded assemblies and e-coating.
<b>Mexico Fluid Facility (Martinrea Developments de Mexico)</b> Saltillo, Coahuila	219,000	Specializing in fuel filler assemblies, fuel, brake and vapor bundle assemblies. This facility is leased to Industrias Martinrea de Mexico, S.A. de C.V.
<b>Martinrea Jonesville</b> Jonesville, Michigan North Adams, MI	665,000	Specializing in medium and large stampings and assemblies.
<b>Martinrea Automotive Structures Springfield</b> Springfield, Tennessee	256,000	Specializing in medium to large stampings and assemblies, including hot stamping capabilities.

Facility	Square Footage (approximate)	Principal Uses
<b>Martinrea Honsel Germany</b> Nuttlar, Germany	20,000	Tool and die making facility.
<b>Martinrea Honsel Germany</b> Meschede, Germany	1,530,000	High pressure die-casting, permanent mold and sand casting facility, and rolling facility. Products include engine components, transmission housings and structural parts.
<b>Martinrea Honsel Mexico</b> Queretaro, Mexico	323,000	High pressure die-casting facility and machining of engine and transmission components.
<b>Martinrea Honsel Brasil</b> Monte Mor, Brazil	355,000	High pressure die-casting facility and machining of engine, transmission and axle components.
<b>Martinrea Tuscaloosa</b> Tuscaloosa, Alabama	230,000	Specializing in stampings and assemblies of safety features, suspension modules, and structural components.
<b>Martinrea Bergneustadt GmbH</b> Bergneustadt, Germany	1,033,000	Specializing in small, medium, and large stampings (including hot stamping), complex welded assemblies, and e-coating.
<b>Martinrea Automotive Structures</b> San Luis, Potosi	440,000	Specializing in small, medium and large stampings (including hot stampings), complex welded assemblies and e-coating.

### *Leased Facilities*

The following table sets out the operating facilities leased by the Company or its affiliates as at December 31, 2020.

Facility	Square Footage (approximate)	Principal Uses
<b>Corporate Headquarters</b> Vaughan, Ontario	31,000	Corporate headquarters.
<b>Alfield Industries</b> Vaughan, Ontario	241,000	Specializing in small, medium and large stampings and complex welded assemblies.
<b>Atlas Fluid Systems</b> Brampton, Ontario	88,000	Specializing in fuel, brake and vapor bundle assemblies, turbo tubes and powertrain assemblies.
<b>Caledon Tubing</b> St. Mary's, Ontario	44,000	Specializing in fuel and brake tube manufacturing.

<b>Facility</b>	<b>Square Footage (approximate)</b>	<b>Principal Uses</b>
<b>Hydroform Solutions</b> Brampton, Ontario Etobicoke, Ontario	271,000	Specializing in hydroforming, medium and large stampings and welded assemblies. Two buildings.
<b>Martinrea Industrial Canada</b> Vaughan, Ontario	84,000	Industrial products, specializing in military, heavy truck and other industrial stamping and assemblies. This facility was moved to this location in 2018.
<b>Martinrea Automotive Systems London</b> Ingersoll, Ontario	65,000	Specializing in the assembly of suspension modules.
<b>Martinrea Developments de Mexico</b> Silao, GTO, Mexico	460,000	Specializing in light to heavy stampings and complex welded assemblies.
<b>Martinrea Automotive Structures Tupelo</b> Tupelo, Mississippi	197,000	Metal parts and assemblies, such as trailer hitches, cross members and assemblies.
<b>Martinrea Estampados</b> Ramos Arizpe, Mexico	330,000	Specializing in medium and large stampings and assemblies.
<b>Martinrea Ramos</b> Ramos Arizpe, Mexico	183,000	Metal stampings and industrial products including agricultural, recreational components and assemblies. Also specializes in the assembly of suspension modules for automotive applications.
<b>Tillsonburg</b> Tillsonburg, Ontario	188,000	Specializing in welded assemblies.
<b>Martinrea Slovakia Fluid Systems</b> Svaty Jur, Slovakia	112,000	Specializing in fuel filler assemblies, fuel, brake and vapor bundle assemblies.
<b>North Vernon Division</b> North Vernon, Indiana	141,000	Specializing in fuel filler assemblies, fuel and vapour bundle assemblies, stainless steel and cold-rolled steel tubing.
<b>Rollstar Metal Forming</b> Brampton, Ontario	201,000	Specializing in roll forming, stretch bending, stampings, extrusions, co-extrusions, injection moldings and modular assemblies.
<b>Martinrea Tech Center</b> Auburn Hills, Michigan	108,000	Engineering, research and development, sales, IT, accounting, and purchasing. New facility constructed in Auburn Hills in 2017.
<b>Martinrea Honsel Spain</b> Madrid, Spain	490,000	High Pressure and low pressure aluminum die-casting including machining and assembly of engine, transmission, suspension and structural components. Products include engine components, transmission housings, suspension carriers, swivel bearing control arms and non-automotive products.

Facility	Square Footage (approximate)	Principal Uses
<b>Martinrea Automotive Parts (Shanghai) Co. Ltd.</b> Anting Town, Shanghai, China	183,000	Specializing in fuel filler assemblies, fuel, brake and vapor bundle assemblies and transmission oil cooling lines.
<b>Mexico Fluids Facility</b> Arteaga, Mexico	204,000	Specializing in fuel, brake and vapor bundle assemblies, turbo tubes and transmission oil cooling lines.
<b>Martinrea Riverside</b> Riverside, Missouri	276,000	Specializing in the welding of front and rear sub frames, e-coating, and assembly of suspension modules (hub and spoke).
<b>Martinrea Honsel Aluminum Parts</b> Yuyao, China	209,000	Low pressure die-casting and machining of structural components.
<b>Martinrea Honsel Mexico</b> Queretaro, Mexico	156,000	Low pressure die-casting and machining of structural components.
<b>Martinrea Automotive Structures</b> San Luis, Potosi	190,000	Specializing in small, medium and large stampings (including hot stamping), complex welded assemblies, and e-coating.
<b>Martinrea Automotive Japan Inc.</b> Tokyo, Japan	2,000	Commercial and engineering office.
<b>Martinrea Automotive GmbH</b> Hofheim, Germany	3,000	Commercial and engineering office.
<b>Martinrea Automotive Structures Canton</b> Canton, Mississippi	22,500	Specializing in welded assemblies.
<b>Martinrea Automotive Structures</b> Hermosillo, Mexico	154,000	Specializing in the assembly of suspension modules.
<b>Martinrea Automotive Technologies (Beijing) Co. Ltd.</b> Beijing, China	64,000	Specializing in the assembly of suspension modules and structural components.
<b>Martinrea Shenyang Automotive Components Co. Ltd.</b> Shenyang, China	74,000	Specializing in the assembly of suspension modules.
<b>Martinrea Southern African Division (Pty) Ltd.</b> Brits, South Africa	75,000	Specializing in simple and complex welded assemblies.



## APPENDIX “C”

### MARTINREA INTERNATIONAL INC.

#### AUDIT COMMITTEE MANDATE

##### 1. PURPOSE OF THE AUDIT COMMITTEE

1.1 The Audit Committee will assist the Board of Directors in fulfilling its responsibilities to the Company’s Shareholders, potential Shareholders and the investment community. The Audit Committee’s primary responsibilities and duties are to:

- (a) identify and monitor the management of the principal risks that could impact the financial reporting of the Company;
- (b) monitor the integrity of the Company’s financial reporting process and system of internal controls regarding financial reporting and accounting compliance;
- (c) monitor the independence and performance of the Company’s external auditors and internal auditing department;
- (d) provide an avenue of communication among the external auditors, management, the internal auditing department and the Board of Directors;
- (e) require management to develop policies, procedures and practices to manage principal risks;
- (f) monitor compliance with legal and regulatory requirements and ensuring that management creates a culture of honesty and ethical behaviour, including setting the proper tone and placing a strong emphasis on fraud prevention; and
- (g) report to the Board of Directors.

The Audit Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, subject to approval of the Board of Directors. The external auditors shall report to the Audit Committee and the Audit Committee shall have direct access to anyone in the organization.

##### 2. COMPOSITION AND MEETINGS

2.1 The Audit Committee shall meet all requirements of the *Business Corporations Act* (Ontario), *Securities Act* (Ontario) and The Toronto Stock Exchange. The Audit Committee shall be comprised of at least three Directors, each of whom shall be an outside director who is unrelated and free of any relationship that, in the opinion of the Board of Directors, would interfere with his or her exercise of independent judgment as a committee member.

2.2 An outside Director is a Director who is not a member of management. An unrelated Director is a Director who is independent of management and is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director’s ability to act with a view to the best interests of the Company, other than interests and relationships arising from shareholding.

2.3 All members of the Audit Committee shall be financially literate and able to read and understand basic financial statements. In addition, at least one member of the Audit Committee shall have accounting or related financial management experience.

2.4 The Audit Committee will have a Chairperson nominated or approved by the Board of Directors from time to time as the Board of Directors sees fit.

2.5 A quorum for any meeting of the Audit Committee shall be a majority of its members.

2.6 The Audit Committee shall meet quarterly or more frequently as circumstances may dictate. The Chairperson shall prepare and/or approve an agenda in advance of each meeting. The Audit Committee should meet privately in executive session at least annually with management, the Chief Internal Auditor, the external auditors and, as a committee, to discuss any matters that the Audit Committee or each of the foregoing groups believe should be discussed.

2.7 In addition, the Audit Committee should communicate with management and the external auditors on at least a semi-annual basis to review the Company's interim financial statements and significant findings based upon the auditors' review procedures.

### **3. RESPONSIBILITIES AND DUTIES**

3.1 In carrying out its responsibilities, the Audit Committee's policies and procedures should remain flexible, in order to best react to changing conditions and to ensure to the directors and shareholders that the corporate accounting and reporting practices of the Company are in accordance with all requirements and are of the highest quality.

3.2 In particular, the Audit Committee shall:

- (a) review and reassess the adequacy of this Mandate at least annually and submit any changes to the Board of Directors for review;
- (b) review generally the Company's financial statements and related documents prior to filing or distribution, which review should include discussion with management of significant issues regarding accounting principles, practices and significant management estimates and judgments;
- (c) annually, in consultation with management, external auditors and internal auditors, consider the integrity of the Company's financial reporting processes and controls; discuss significant financial risk exposures and the steps that management has taken to monitor, control and report such exposures; and review significant findings prepared by the external auditors and the internal auditing department together with management's responses;
- (d) review with the external auditors, the internal auditors and financial accounting personnel the adequacy and effectiveness of the accounting and financial controls of the Company, and elicit any recommendations for the improvement of such internal control procedures or particular areas where new or more detailed controls or procedures are desirable;
- (e) meet with the external auditors and financial management of the Company to review the scope of the proposed audit for the current year and the audit procedures to be utilized, and at the conclusion thereof, review such audit; and review and discuss, on an annual basis, with the external auditors all significant relationships they have with the Company that could impair the external auditors' independence;
- (f) review the effectiveness of the overall process for identifying the principal risks affecting financial reporting and provide the Audit Committee's views to the Board of Directors;
- (g) review the independence and performance of, and recommend to the Directors, the external auditors to be selected to audit the financial statements of the Company and its divisions and subsidiaries, including ensuring that the Company has not hired and will not hire individuals for positions that would impair auditor independence;
- (h) approve the fees and other significant compensation to be paid to the external auditors;
- (i) pre-approve all non-audit services to be provided to the Company or its subsidiaries by its external auditors;
- (j) review the mandate, budget, staffing, plan, changes in plan, activities, organizational structure and qualifications of the internal audit function, as needed;

- (k) review, on an annual basis, with the Company's legal counsel any legal matters that could have a significant impact on the Company's financial statements, compliance with applicable laws and regulations and inquiries received from regulators or governmental agencies;
- (l) review accounting and financial human resources and succession planning related thereto with the Company, to the extent such matters are not dealt with by another committee;
- (m) prepare and disclose a summary of this Mandate to shareholders;
- (n) establish and oversee a corporate whistleblower policy, establishing procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters; and
- (o) submit minutes of all meetings of the Audit Committee to, or discuss matters discussed at each committee meeting with, the Board of Directors on an appropriate basis.

