



ANNUAL INFORMATION FORM
FOR THE FISCAL YEAR ENDED APRIL 30, 2022

JULY 22, 2022

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ANNUAL INFORMATION FORM OF TECSYS INC.

In this Annual Information Form, “Tecsyst” or the “Company” represents Tecsyst Inc. Unless the context otherwise requires, reference to “Tecsyst” or the “Company” includes the subsidiaries of Tecsyst Inc.

Unless otherwise noted, all dollar references in this Annual Information Form (“AIF”) are expressed in Canadian dollars and in accordance with generally accepted accounting principles in Canada (“GAAP”) for publicly accountable enterprises which integrates International Financial Reporting Standards (“IFRS”).

1. INCORPORATION AND SUBSIDIARIES

(A) Incorporation

Tecsyst was incorporated under the Canada Business Corporations Act (“CBCA”) on April 28, 1983. The Articles of Incorporation of Tecsyst were amended on May 30, 1983, to change the name of the Company from 123293 Canada Inc. to Tecsyst Inc.; on April 28, 1988, to create new classes of shares and add “private company” restrictions; on October 3, 1995, to subdivide the outstanding Class “A” shares; on December 12, 1996, to further subdivide the outstanding Class “A” shares; on March 18, 1998, to create a new class of shares; and on June 18, 1998, in connection with the initial public offering of Tecsyst’s common shares finalized in July 1998, to subdivide all the issued and outstanding Class “A” shares on a 2 for 1 basis, to create an unlimited number of common shares and Class A preferred shares issuable in series, to change all the issued and outstanding Class “A” shares into common shares on a 1 for 1 basis, to cancel all the authorized and unissued shares other than the common shares, to change the minimum number of directors from 1 to 3, to remove the “private company” restrictions on the transfer and issue of shares and the number of shareholders and to authorize the appointment of directors in compliance with Section 106(8) of the CBCA.

On July 8, 2020, the board of directors of the Company (the “**Board**”) approved amendments to the by-laws authorizing the Company to hold virtual meetings of shareholders. Such amendments were approved by the Company’s shareholders and ratified at its 2020 annual and special meeting of shareholders held on September 10, 2020. The Company amalgamated as of May 1, 2022 with its wholly-owned subsidiary OrderDynamics Corporation. Under the articles of amalgamation, Tecsyst’s articles remain unchanged.

The head and registered office of the Company is located at 1 Place Alexis Nihon, Suite 800, Montréal, Québec, Canada, H3Z 3B8.

(B) Subsidiaries

Tecsyst owns:

- (i) all of the issued and outstanding shares of Tecsyst U.S. Inc. (“**Tecsyst U.S.**”), a corporation incorporated under the laws of the State of Ohio;
- (ii) all of the issued and outstanding shares of Tecsyst Europe Limited, a corporation incorporated under the laws of England;
- (iii) all of the issued and outstanding securities of Logi D Holding Inc. (“**Logi D**”), a

- corporation incorporated under the CBCA which owns all of the issued and outstanding shares of Logi D Inc., a corporation also incorporated under the CBCA, and Logi D Corp., a corporation incorporated under the laws of Delaware;
- (iv) all of the issued and outstanding securities of Tecsys Denmark Holding ApS, a company incorporated under the laws of Denmark which owns all of the issued and outstanding shares of Tecsys A/S (formerly known as PCSYS A/S, “PCSYS” or “Tecsys A/S”), a company incorporated under the laws of Denmark.

2. GENERAL DEVELOPMENT OF THE BUSINESS

(A) Overview

Tecsys is a global provider of cloud-based supply chain solutions that equip the borderless enterprise for growth. Spanning multiple complex, regulated and high-volume distribution industries, Tecsys delivers dynamic and powerful solutions for warehouse management, distribution and transportation management, supply management at point of use, order management and fulfillment, as well as financial management and analytics solutions.

Customers running on Tecsys’ supply chain platform are confident knowing they can execute, day in and day out, regardless of business fluctuations or changes in technology. As their businesses grow more complex, organizations operating a Tecsys platform can adapt and scale to business needs or size, expand and collaborate with customers, suppliers and partners as one borderless enterprise, and transform their supply chains at the speed that their growth demands. From demand planning to demand fulfillment, Tecsys puts power into the hands of both front-line workers and back-office planners, helping business leaders operate sustainable and scalable logistics so they may focus on the future of their products, services and people, not on their operational challenges.

Customers around the world trust their supply chains to Tecsys in the healthcare, automotive and service parts, third-party logistics, converging commerce, as well as industrial and general wholesale high-volume distribution markets. Tecsys is the market leader in North America for supply chain solutions for health systems and hospitals. Tecsys serves a number of marquee brands located in the U.S., Canada, Europe and Australia, and continues to expand its global footprint across its principal markets.

Acquired in 2019, Tecsys A/S (formerly PCSYS A/S), now serves as a key European extension. The Tecsys A/S product line is now being marketed under the Tecsys brand and Tecsys A/S continues to add customers in the manufacturing, retail and logistics industries, primarily in Europe. This alignment extends brand awareness to the European market and provides a common corporate identity to leverage existing software solutions across global geographies. In parallel, Tecsys A/S products are being positioned for North American markets, and opportunities for solution cross-pollination continue to emerge.

Tecsys is also well positioned to enable organizations pursuing sustainability initiatives. With greater adoption of digital purchasing comes a higher number of smaller shipments, which carry a substantial environmental impact. As supply chain organizations structure themselves for a shifting balance between in-store showrooming and digital shopping and shipping, the need to control the increasing costs of moving one line item from point A to point B becomes economically and environmentally significant. For the past two years, Tecsys has been recognized by Supply &

Demand Chain Executive with a 2020¹ and 2021² Green Supply Chain Award for its enablement of operational efficiency and capacity to address sustainability targets.

Tecsys has noted exponential growth in the e-commerce fulfillment sector with mounting pressure for distribution organizations to fulfil higher order volumes under changing customer demands. Accelerated consumer adoption of digital commerce has escalated order fulfillment complexity for converging retail and direct-to-consumer companies, which has been driving investment in order management systems (OMS). Tecsys' OMS offering orchestrates and optimizes the process of customer order fulfillment across a wide variety of inventory-holding locations by meeting customer expectations at the lowest possible cost of order fulfillment.

Tecsys' management believes that demand for OMS systems that are connected to an end-to-end supply chain execution platform will continue to increase as a result of shifts in consumer shopping behavior. Consumer demand for alternative fulfillment options such as curbside pickup, click-and-collect and ship-from-store show no signs of waning, and Tecsys' OMS is well-positioned to equip brand owners to fulfill against this compounded logistics complexity.

Tecsys' partnership strategy continued to develop and mature during the financial year ended April 30, 2022 ("**Fiscal 2022**"). Foundational relationships with key technology partners including Amazon Web Services (AWS), International Business Machines Corporation, Oracle Corporation, Microsoft Corporation and Workday Inc. continue to support its product offering. Other technology solution partners like Honeywell International Inc., Zebra Technologies Corporation, and Terso Solutions Inc., round out Tecsys ability to deliver complete supply chain solutions. Tecsys continues to expand its relationships with service partners such as Avalon Corporate Solutions Corp, OSF Global Services Inc, RiseNow LLC and others where Tecsys and the partners work together jointly on opportunities within the customer base as well as on new client pursuits.

Tecsys' common shares trade on the Toronto Stock Exchange (TSX) under the ticker symbol "TCS".

Industry Verticals

Tecsys' management believes that its enterprise supply chain platform is well-suited to respond to the changing distribution market. Currently, Tecsys' business development and sales efforts are focused on vertical markets where the Company has the highest winning opportunity and best financial returns. From research and development and customer services perspectives, this allows Tecsys to replicate its solutions, enabling the Company to reduce costs inherent in new development and adoption of technology. It also helps increase the depth of expertise in these market segments where the Company has developed a reputation as an expert among its customers.

One such industry vertical is healthcare. At this point, Tecsys is able to bring its decades of supply chain expertise and investment into the healthcare industry through point-of-use, distribution and warehouse management solutions. Longstanding customers include major distributors, a number of health systems or Integrated Delivery Networks (IDNs), as well as third-party logistics providers (3PLs) in Canada and the United States. According to the American Hospital Association (AHA)³, there are over 6,090 hospitals in the United States.

¹ https://digital.acbusinessmedia.com/SDC/MISC/sdc1220_green-awards.pdf

² https://s3.amazonaws.com/digital.acbusinessmedia.com/SDC/MISC/SDC1221_Green%20Awards.pdf

³ <https://www.aha.org/statistics/fast-facts-us-hospitals>

Today's healthcare supply chain is complex and costly; for 2020, it was reported that the supply chain represents the second largest area of expense for hospitals, behind only labor, consuming approximately 40% to 55%⁴ of the average operating budget. With pandemic-related impacts to both labor and supply chain, there is an increasing urgency to manage these escalating costs strategically. Unlike retail and other industries where the supply chain is viewed as a strategic asset, the healthcare supply chain has often been underleveraged. Most healthcare organizations are managing supplies using outdated information technology systems that cannot communicate with one another. As a result, supply chain processes are largely manual, with staff entering data into various hospital systems as they procure products, manage inventory, capture its use and trigger replenishment needs.

Healthcare has traditionally lagged behind other industries when it comes to supply chain technology investments. The manual labor required among supply chain, operations and clinical staff is inefficient, error prone and expensive. With disjointed systems and data, healthcare organizations have little or no visibility into and control over their supplies. This leads to expired product and significant waste. Further, supply chain disruptions and gaps in supply visibility highlighted by mounting volatility due to recent global events, together with sustained challenges in the labor market, have created greater market awareness of supply chain technology that enables a higher degree of operational responsiveness and agility.

In order for a hospital to transform its supply chain from a major liability into a strategic asset, it must transition from manual to electronic processes. This requires the use of enabling technologies for supply chain automation such as those offered by Tecsys. Technologies enabling standardization, consolidation and integration within a unified platform are a prerequisite to overcome the complexity and challenges.

Another vertical that carries opportunity is the converging commerce market, direct-to-consumer brands, complex retail and e-commerce fulfillment organizations. Accelerated by the shift in consumer behavior following COVID-19 restrictions, there is greater demand for e-commerce and order pickup buying options with the Adobe Digital Economy Index reporting that global e-commerce is showing a 38% year over year growth, with 9% of online shoppers in the US reporting never having purchased anything online prior to March 2020⁵. Currently, many consumer brands operate siloed online and in-store order management processes, while others are not equipped for e-commerce options entirely. The convergence of physical and digital commerce has exposed disconnected customer experiences. In order to cope with the growing complexity of order management requirements in a converging commerce environment offering multiple fulfillment options, retailers and brands rely on OMS systems such as that offered by Tecsys. Technologies enabling optimization of complex order fulfillment routes, shipping costs, returns and inventory management equip those in this market with a flexible platform for dynamic and scalable omnichannel fulfillment.

The Supply Chain Management Industry

Supply Chain Management (SCM) is a business strategy to improve shareholder and customer value. SCM encompasses the processes of creating and fulfilling the market's demand for goods and services; it enhances distributor and customer value by optimizing the flow of

⁴ <https://rctom.hbs.org/submission/healthcare-where-supply-chain-digitalization-is-life-or-death/>

⁵ https://business.adobe.com/resources/reports/adobe-digital-economic-index-april-2021/thank-you.html?faas_unique_submission_id=DB2D0CA9-BA33-753C-BD9C-4C7F83153321

products, services and related information from suppliers to customers, with a goal of enabling customer satisfaction and improving return on assets. Within SCM is Supply Chain Execution (“SCE”), on which Tecsys has focused, an execution-oriented set of solutions that enable the efficient procurement and supply of goods, services and information to meet customer-specific demand. Businesses deploying SCE solutions are looking to achieve greater visibility into product movements, cost containment and compliance.

In 2021, the Council of Supply Chain Management Professionals (CSCMP)’s Annual State of Logistics Report®, highlighted the lack of effective tools to meet escalating complexity: “In general, logistics cost increases resulted from trying to meet these difficult challenges with assets that could not be deployed as efficiently, along with an expanding scope of logistics activities”⁶.

Indeed, today’s distribution landscape is more sophisticated and volatile than ever; nonetheless, it demands 100% fulfillment with faster service and resiliency. It demands collaboration with customers, suppliers and partners as a borderless enterprise. From unified commerce to the internet of things (IoT), change is reshaping supply chain platforms and they must extend, scale and adapt to the size and needs of business. Competition is fierce, and disintermediation continues to pose a significant threat, giving rise to omnichannel distribution networks and shrinking the margin of error in operations.

Thriving in the current distribution era means adapting internal infrastructure, technology and processes to external challenges. Considering the impact of major disruptions to brick and mortar, the resiliency of multichannel and online retailers, and the strong competition from those who stick to their core competencies means investing in new and innovative technologies. Such disruptions and the accelerated digital environment are pressuring distribution industry leaders to rethink their strategy and take the first step to transform their supply chain or risk being left behind.

Agile companies are quickly outperforming and overtaking their less nimble competitors. McKinsey & Company’s research⁷ suggests that, on average, companies that digitize their supply chains can expect to boost annual growth of earnings before interest and taxes by 3.2% and annual revenue growth by 2.3%.

In a 2020 publication⁸, PricewaterhouseCoopers LLP surveyed over 1,600 executives from companies across seven industries to investigate the role of digital supply chains in turbulent times. The survey reveals that investments into digital supply chain excellence result in:

- 2x increased revenues and 2x decreased costs as compared to digital novices.
- 84% report >90% on-time in-full delivery performance (compared to 12% of digital novices).
- 53% more inventory turns than digital novices.
- Benefits beyond numbers like risk management, increased asset utilization and improved sustainability.

The publication explains: “For many companies market environments are becoming ever-more challenging. To cope with constant change, companies will need to make sure that their organization is able to continuously evolve and improve. They’ll need a culture of continuous innovation and cross-functional collaboration to get there - always keeping the end-to-end value

⁶ https://epages.gopenske.com/rs/004-RHK-737/images/State-of-Logistics-2021-Executive-Summary.pdf?_ga=2.174525730.1422720746.1653578180-1123149756.1653578180

⁷ McKinsey & Company; Digital transformation: raising supply chain performance to new levels

⁸ <https://www.pwc.com/gx/en/industrial-manufacturing/digital-supply-chain/supply-chain-2025.pdf>

chain in mind. Generally, that means beginning with the needs of the end customer, but also taking into account everything from factories, to warehouses, to backend technologies.”

Material Handling Industry (“MHI”) is the largest material handling, logistics and supply chain association in the U.S. and publisher of the MHI Annual Industry Report⁹, produced in conjunction with Deloitte Consulting LLP. The 2021 report explored the supply chain vulnerabilities exposed by COVID-19, and the role of digital technologies as a mechanism to be better positioned for supply chain resiliency in an uncertain future. In 2022, the report “challenge[d] business and supply chain leaders to benefit from those insights by embracing groundbreaking innovations that can revolutionize how supply chains operate – enabling future supply chains to thrive in the face of inevitable disruptions.” Notably, the report emphasizes an appetite and timeliness for supply chain transformation: “It’s time to take advantage of the new awareness and create a bold path for the future.”

The report also highlights the sharp rise in supply chain innovation investment expected over the next two years. In the report’s survey of over 1,000 supply chain and manufacturing leaders, “of the 64% of respondents increasing investments, 66% say they will spend more than \$1 million over the next two years. Investments are particularly growing in the middle ranges from \$5 million up to \$100 million - 18% say they will spend more than \$10 million, where 41% say they spend more than \$5 million.”

As supply chains become increasingly strategic levers in their organizations and technology continues to drive the arc of competitive advantage, leading companies are adopting a more digital approach to business. Using digital innovation to improve supply chain efficiency, transparency and sustainability has become a necessity for continuing to grow the customer base and maintain a competitive standing.

(B) Development of business during most recent three years

On May 8, 2019, Gartner, Inc. released its annual Magic Quadrant¹⁰ for Warehouse Management Systems, in which Tecsyst was positioned in the “Visionaries” quadrant, a position it has held since its first inclusion in 2010. Gartner Magic Quadrant research methodology provides a graphical competitive positioning of four types of technology providers in fast-growing markets: Leaders, Visionaries, Niche Players and Challengers. Gartner has evaluated global WMS vendors based on their completeness of vision and ability to execute and has recognized 14 WMS suppliers that were included in the 2019 Magic Quadrant for Warehouse Management Systems, one of which is Tecsyst.

During the financial year ended April 30, 2020 (“**Fiscal 2020**”), Tecsyst enhanced its shift from perpetual license to SaaS bookings. It also announced important functional advancements to its end-to-end retail supply chain platform and omnichannel order fulfillment solution with new and robust data-driven business intelligence (BI) analytics, an optimized user interface for order management orchestration and an enhanced mobile in-store application for store associates. Finally, Tecsyst released the next generation pack-check user experience module in its flagship warehouse management system.

On April 28, 2020, Tecsyst completed an offering of 1,333,333 common shares of the Company including 173,913 common shares issued as a result of the exercise in full by the

⁹ <https://www.mhi.org/publications/report>

¹⁰ Gartner, “Magic Quadrant for Warehouse Management Systems” by C. Dwight Klappich & Simon Tunstall,

underwriters of their over-allotment option at a price of \$17.25 per share, for aggregate gross proceeds of \$22,999,994.25 (the “**2020 Offering**”). The 2020 Offering was completed on a bought deal basis and was underwritten by a syndicate of underwriters co-led by Stifel Nicolaus Canada Inc. and Cormark Securities Inc. which included Laurentian Bank Securities Inc. and Echelon Wealth Partners Inc.

On May 6, 2020, Gartner, Inc. released the 2020 Magic Quadrant for Warehouse Management Systems, in which Tecsyst was positioned in the “Visionaries” quadrant, a position that it has held since its first inclusion in 2010. Gartner Magic Quadrant research methodology provides a graphical competitive positioning of four types of technology providers in fast-growing markets: Leaders, Visionaries, Niche Players and Challengers. Gartner has evaluated global WMS vendors based on their completeness of vision and ability to execute and has recognized 15 WMS suppliers that were included in the 2020 Magic Quadrant for Warehouse Management Systems, one of which is Tecsyst.

On September 10, 2020, two new directors were elected to Tecsyst’s Board of Directors by shareholders: SaaS technology marketing executive Rani Hublou and financial strategist Kathleen Miller. As Frank J. Bergandi, John Ensign and David Wayland did not stand for re-election at the annual and special shareholder meeting of September 9, 2021, the Board comprises seven members.

On February 12, 2021, Tecsyst announced the appointment of Martin Schryburt to the position of vice president, Research and Development. Bringing over 25 years’ experience in software development, Mr. Schryburt is a global R&D business leader brought in to guide overall product strategy and spearhead product development from architecture to delivery.

On May 3, 2021, Tecsyst was recognized as a Representative Vendor in 2021 Gartner Market Guide for Retail Store Inventory Management Applications. Tecsyst is one of 13 store inventory management (SIM) vendors named in the report.

On June 30, 2021, Gartner, Inc. released the 2021 Magic Quadrant¹¹ for Warehouse Management Systems, in which Tecsyst was positioned in the “Visionaries” quadrant, a position that it has held since its first inclusion in 2010. Gartner Magic Quadrant research methodology provides a graphical competitive positioning of four types of technology providers in fast-growing markets: Leaders, Visionaries, Niche Players and Challengers. Gartner has evaluated global WMS vendors based on their completeness of vision and ability to execute and has recognized 18 WMS suppliers that were included in the 2021 Magic Quadrant for Warehouse Management Systems, one of which is Tecsyst.

On September 14, 2021, the Toronto Stock Exchange (TSX) announced that Tecsyst was included in the Toronto Stock Exchange’s 2021 TSX30™, a flagship program recognizing the 30 top-performing TSX stocks over a three-year period based on dividend-adjusted share price appreciation.

On March 28, 2022, Tecsyst introduced Omni™ WMS, an agile SaaS-native warehouse management system designed to serve the evolving omnichannel market that straddles the complexities between hybrid e-commerce and traditional fulfillment, to its North American market. Omni™ WMS has been marketed as a Tecsyst A/S product in Europe, and represents an example of cross-pollination of product lines.

¹¹ Gartner, Magic Quadrant for Warehouse Management Systems, Simon Tunstall & Dwight Klappich, June 30, 2021

(C) Significant Acquisitions

Tecsys did not complete any acquisitions during Fiscal 2022.

3. DESCRIPTION OF THE BUSINESS

The supply chain execution market, in which Tecsys is a player, is a diverse market. Supply chain execution solutions are comprised of four groups: Warehouse Management, Transportation Management, Collaborative Production Management and other real-time supply chain applications. Supply chain execution (SCE) is the flow of tasks involved in the supply chain, such as order fulfillment, procurement, warehousing and transportation.

Since mid-fiscal year 2007, the Company has streamlined its business operations with the objective of achieving improved margins and profitability. The strategy transformed the Company into an organization focused on specific vertical markets. It has strengthened its expertise and product offerings by going deeper in each vertical and by building what Tecsys' management believes is unique expertise in each market to differentiate itself and better serve each customer.

Currently, vertical markets targeted by Tecsys include:

Healthcare:

- Hospitals and hospital supply networks or health systems;
- Healthcare products distributors such as specialty drug, med-surg & life science products distributors; and
- Healthcare third-party logistics providers.

Retail:

- Omnichannel and multi-channel retailers; and
- Brand owners with direct-to-consumer operations.

High-volume 3PL and complex distribution:

- Warehouse-centric distribution operations such as heavy equipment dealers, service and auto-parts distributors;
- Omnichannel distributors;
- Giftware and import-to-retail distributors;
- Industrial manufacturers and distributors;
- General high-volume distributors; and
- Third-party logistics providers.

Tecsys' products are used by diverse customers around the world across key verticals.

Healthcare customers include, Trinity Health Corporation, Sanford Health, Mercy Health, Intermountain Healthcare and Ohio State University Wexner Medical Center, Mayo Foundation for Medical Education and Research and Vanderbilt University Medical Center.

Retail and consumer brand customers include, Browns Shoes Inc., Columbia Sportswear International, Funimation Productions, LLC, Sephora SAS and Ubisoft International.

Third-party logistics (3PL) customers include Accuristix, Capacity LLC, Delmar International Inc., Kintetsu World Express (Canada), Inc., LifeScience Logistics LLC, DKI Logistics A/S and Rinchem Company Inc.

General and industrial distribution customers include Cardinal Health Specialty Pharmaceutical Services, Honda Canada Inc., Humana Inc., Nissan North America, Inc., Rexel Canada Electrical Inc., United States Department of Agriculture and Werner Electric Supply Co.

Approximately 63% and 65% of Tecsyst's revenues in the financial year ended April 30, 2021 ("**Fiscal 2021**") and Fiscal 2022, respectively, were derived from the United States market, approximately 20% and 21% from the Canadian market, approximately 17% and 14% from the European market and the remainder from the rest of the world. Tecsyst U.S., a wholly-owned subsidiary of Tecsyst, acts as a sales, services and marketing agent for Tecsyst in the United States, where a significant portion of Tecsyst's revenue is generated.

The Company has five principal sources of revenue:

- software as a service (SaaS) subscription which represent the right to access its software platform in a hosted and managed environment for a period of time; these subscriptions are typically sold in three to five year term agreements with auto-renewal provisions;
- maintenance and support services sold with perpetual licenses and hardware maintenance services; these services are typically sold in annual agreements with auto-renewal provisions;
- professional services, including implementation consulting and training services provided to customers;
- licenses;
- hardware.

Starting in 2019, the Company shifted its business model and began selling its solutions primarily on a SaaS subscription basis. SaaS bookings are multi-year contracts and, unlike perpetual software licenses which are typically recognized as revenue upfront, SaaS revenue is recognized over the contract period. In Fiscal 2022, approximately 91% of software product bookings were sold as SaaS compared to 82% in Fiscal 2021. Tecsyst expects SaaS revenue to continue to grow over time. Revenue from maintenance and support services relate in a large part to the Company's prior business model of selling perpetual licenses with attached maintenance and support fees. The Company expects maintenance and support services revenue to generally decline over time as new customers acquire SaaS subscriptions and existing customers eventually migrate to SaaS.

In Fiscal 2022 and Fiscal 2021, Tecsyst generated \$137.2 million and \$123.1 million in total revenue, respectively. The revenue mix for Fiscal 2022 was: SaaS 20%; maintenance and support 24%; professional services 38%; license 2%; and hardware 16%. The revenue mix for Fiscal 2021 was: SaaS 16%; maintenance and support 27%; professional services 39%; license 4%; and hardware 14%.

Tecsyst's products combine best-of-breed supply chain functionalities to provide accurate and synchronized real-time information, to enable users to make rapid, proactive decisions. Tecsyst's product line offers the following modules: Distribution Enterprise Resource Planning, Warehouse Management, Demand Planning, Order Management, Procurement, Financial Management, Requisition Management, Supply Management, Transportation Management,

Mobile Delivery Management, Radio Frequency Identification, Electronic Commerce, Business Intelligence and Value-added Services. Tecsys' current products run on an open systems platform and therefore support complementary software modules from third parties that enable Tecsys to offer a broader set of functionalities and interface to such capabilities as material handling systems to address added customer requirements.

(A) Tecsys' Proprietary Products

In today's dynamic supply chain, change is constant, and adapting to change in an agile way is key to an organization's success. Tecsys' proprietary software platforms help distribution organizations adapt and scale to remain at the forefront of ever-evolving technology and supply chain trends on transactional, operational, and strategic levels. Tecsys leverages web technologies by permitting the transformation of data from disparate systems into critical and timely information that can be easily accessed and shared by different users. Information can be securely published via the portal or can be communicated between systems through web services. Tecsys' move to a predominately SaaS model allows its customers to experience these benefits in the most efficient, agile speed to market.

(i) Elite™ Enterprise Supply Chain Software

Tecsys' software platform underpins a digitally enabled and integrated portfolio of solutions designed for high volume and complex distribution environments. Each module is built on this common technology platform and tailored to specific operational nodes within a supply chain organization.

Customers use this platform to adapt Tecsys' supply chain applications to their business needs. Tecsys' management believes the Company's software platform is one of the industry's most dynamic and powerful engines for distribution organizations' supply chain business, enabling the connection of customers and suppliers as one borderless enterprise.

One of the fundamental capabilities that differentiates Tecsys' modules are their tight integration into the supply chain platform that enables communication between the different Tecsys modules. This enables users to directly achieve cost savings and more rapid deployment of the complete solution. In addition, the elimination of batch processing and update delays enables synchronized, real-time and accurate inventory information to be available across the entire enterprise, permitting significant competitive advantage in customer service.

Distribution ERP

Tecsys' distribution-focused enterprise resource planning management software ("ERP") provides visibility into every facet of a supply chain operation so organizations can make better decisions, turn around customer requests faster and stay ahead of the competition. Tecsys' ERP is a market-leading integrated distribution-focused enterprise resource management software system for mid-market and high-end distribution operations. The software is mature, functionally feature-rich and used in high-volume transaction processing environments. Tecsys' ERP has been installed across a wide variety of vertical market segments.

Tecsys' ERP is comprised of the following integrated components: Demand Planning & Forecasting, Procure-to-Pay, Inventory Management, Order-to-Cash and Financial Accounting.

Warehouse Management

Tecsys' warehouse management system (“**WMS**”) is a feature-rich and functionally robust software system that manages warehouse activities of a distribution organization including: Receiving, Putaway, Cross Docking, Replenishment, Order Planning, Picking, Packing, Shipping, Cycle Counting, Freight Management, Labor Management and Warehouse Planning.

Transportation Management

Tecsys' transportation management system (“**TMS**”) provides a multi-carrier shipping manifesting system that optimizes carrier selection and shipping for outbound small parcels and less than truckload (“**LT**”) freight on a number of major carriers in the United States, Canada and internationally. This TMS permits the automation of many of the time-consuming, labor-intensive tasks in the shipping department and is designed to enable companies to generate savings and efficiencies if they process high volumes of shipping parcels.

Delivery Management (“DM”)

Tecsys' delivery management solution is a powerful end-to-end event tracking and delivery management mobile system for a distribution organization, in-house courier and internal deliveries, including all unattended or unscheduled pickups and deliveries. It enables logistics management to create, pick up and deliver shipments directly from a smartphone and offers companies' customers real-time, online traceability of shipments similar to the functionality offered by major international parcel shipping organizations.

The module consists of an administrative back-end application for use in the office, as well as a front-end application for a vehicle's mobile computers or the driver's phone, which helps the driver in his or her daily routines with routes, navigation and barcode scanning.

Business Intelligence & Analytics

Tecsys' business intelligence (“**BI**”) and analytics are integrated with the rest of Tecsys' solutions. This solution offers business analysis and reporting that provides access to the customer's corporate database to support easy information access and executive decision-making. Tecsys' BI and analytics includes a full suite of pre-built views on key benchmark performance indicators specific to the information needs of distribution operations. Views include trend analysis on inventory, customer service, warehouse productivity, sales/profits, procurement and financial performance.

Tecsys' BI and analytics offers extensive data extraction capabilities and can analyze data sets of millions of records. It can be used to generate presentation-quality reports, charts, graphs and spreadsheets. Product design is based on IBM Cognos Business Intelligence Tools.

(ii) Healthcare Software

Tecsys' healthcare software suite is a digitally enabled and integrated portfolio of solutions designed for health systems and consolidated service center environments. Each module is tailored to specific operational nodes within a healthcare supply chain organization.

Like its enterprise module equivalents, each module is built on a common platform and

tightly integrated with one another, adaptable to business needs. The software platform is one of the industry's most dynamic and powerful engines for health systems' supply chain business, connecting stakeholders from across the organization in both clinical and non-clinical settings.

Healthcare Supply Chain Management

Healthcare SCM software equips health systems to close the data and visibility gap between the ERP and electronic health record (“EHR”) to help achieve enterprise-wide visibility and control of inventory. From receiving at the dock to just-in-time delivery at the patient's bedside and every stage in between, it is critical that health systems efficiently deliver supplies and packages exactly when they are needed. Tecsyst's healthcare SCM demand planning application empowers healthcare supply chain organizations to forecast accurately and achieve continuous, just-in-time procurement.

Healthcare Warehouse Management

Tecsyst's healthcare WMS leverages the same robust coding DNA as Tecsyst's enterprise WMS, with features and functionalities designed to accommodate specific tracking, traceability and reconciliation requirements for the healthcare industry. In addition to management of standard and extended warehouse activities, Tecsyst's healthcare WMS can be used to manage case cart preparation, custom pack assembly, and consolidated services like lab specimen delivery. In a unique operational environment that demands visibility from source to patient, this software solution serves as a catalyst for inventory management and visibility across a health system, and provides the software to increase standardization among products and processes, track and monitor expiration for uninterrupted patient care and other critical clinical support functions.

Healthcare Transportation Management

Tecsyst's healthcare TMS tracks and controls the movement of supplies within a health system. The software maintains a complete and secure chain of custody with full visibility of all replenishments and orders, from controlled substances and high-cost items to critical items like gloves or masks. The software offers features tailored to each logistics role within a health system.

Healthcare Delivery Management

Tecsyst's healthcare DM is a powerful end-to-end event tracking and delivery management mobile system for a healthcare organization's in-house courier and internal deliveries, including all unattended or unscheduled pickups and deliveries, orchestrated to optimize routes and deliveries. Tecsyst's delivery management software enables healthcare organizations to manage the movement of goods inside the hospital or clinic into a single courier operation, creating significant efficiency gains and driving down the carbon footprint. This software provides complete visibility of order delivery and notifies the recipient of any changes to arrival time.

Healthcare Point of Use

Tecsyst's healthcare point of use inventory management system captures, manages and tracks the usage of supplies at the actual point-of-use, allowing an organization to value its inventory. In a hospital environment, this product can be tailored to be used in nursing units, catheter labs, operating rooms, pharmacies and non-acute care facilities.

Healthcare point of use solutions include proprietary hardware technology that enables process efficiency through automatic identification and data capture through Radio Frequency Identification (“**RFID**”). Tecsys’ RFID technology products eliminate the line-of-sight requirements of current barcode systems and automatically provide basic yet critical information about products, such as item number, item location, serial number and expiry date. Within a point of use supply location, this enables increased order and inventory accuracy.

Pharmacy Inventory Management

Tecsys’ pharmacy inventory management system (“**PIMS**”) enables the hospital pharmacy up to the point of use to ensure that efficient automated processes can be deployed throughout the pharmacy supply chain. This allows healthcare institutions to fully recover avoidable expenses sustained in the management and dispensation of medications, while preserving accuracy and timeliness. Tecsys’ PIMS provides visibility of medication in transit or stored inside automation technologies such as carousels and dispensing cabinets, and allows for centralized inventory management of supplies common to both the supply chain and the pharmacy. The software supports tracking of temperature-controlled environments and expiration management. Designed for compliance with regulatory requirements, Tecsys’ PIMS also enables the maximization of savings for eligible prescriptions through the 340B Drug Pricing Program, and allows for one-to-many NDC (National Drug Code) inventory management to calculate inventory quantity and value across common medications.

Healthcare Business Intelligence and Analytics

Built with the same architecture as Tecsys’ enterprise BI and analytics, this software offers business analysis and reporting that provides access to the health system’s database to support easy information access and executive decision-making. Tecsys’ healthcare-tailored BI and analytics include a full suite of pre-built views on key benchmark performance indicators specific to the information needs of healthcare distribution operations. Views include trend analysis on inventory, utilization and performance data, preference card analytics and optimization, case costing, charge capture compliance, warehouse productivity, procurement and financial performance.

With a product design based on IBM Cognos Business Intelligence Tools, Tecsys’ BI and analytics offer extensive data extraction capabilities and can analyze data sets of millions of records.

(iii) Omni™ Retail Software

Order Management

Tecsys’ order management system (“**OMS**”) permits companies to orchestrate and optimize the process of customer order fulfillment across a wide variety of inventory holdings. It helps retailers and brands connect digital commerce to physical stores. OMS also permits companies to optimize retail, help minimize shipping costs and manage in-store returns.

Retail Warehouse Management (formerly marketed as “WMS7”)

Tecsys’ retail WMS is a software product developed from the Tecsys A/S product portfolio, built on the Microsoft .NET development platform. This WMS utilizes a standard file format that can easily integrate and communicate with a customer’s other systems. This is a SaaS or on-

premise application well-suited to e-commerce fulfillment-oriented distribution operations that support omnichannel retail operations. Agile in design, pick-by-voice, pick-to-light and put-to-light are among the WMS' paperless picking options. Based on HTML5, this WMS can be accessed from any platform that has a browser; this includes PCs, handheld terminals, tablets and mobile phones.

Retail Transportation Management

This complete TMS solution is tightly integrated to Tecsys' retail WMS. This software product provides a constant overview of a customer-owned and third-party fleet. This TMS is modular such that each solution may be tailored to the exact features that are relevant to business needs. The administration module includes automatic route planning, real-time overview of orders, routes, vehicles and deliveries, automatic position logging, warning systems, temperature monitoring, extensive reporting, customer views, auto-generation of SMS notifications and more. The driver module includes detailed stop lists, navigation with map displays, package and cargo details, temperature monitoring, packaging accounting, electronic signatures, photo documentation, deviation statistics and more.

Retail Business Intelligence and Analytics

Tecsys provides an extensible and secure reporting dashboard that includes high-level order routing and configurable reports for more in-depth analysis. In addition to tracking key metrics like partial, orphaned and rejected shipments and time to completion for orders, BI and analytics software for Tecsys' retail applications enables retailers to manage and improve order profitability by tracking shipping list cost vs. customer charged, compare the volume and efficacy of orders across all fulfillment channels and analyze invoice data and order counts. Order management analytics, which uses Azure Services and PowerBI, enables data-driven decision-making, to bring clarity, solve complexity and optimize a retailer's supply chain operations.

(iv) Streamline™

Streamline™ is a full suite designed for the industrial distribution market that provides business solutions to manage all aspects of supply chain activities from financials to forecasting to fulfillment. Optional modules for E-commerce, Remote Signature capture and Remote Order Taking are fully integrated. In addition, APIs include Microsoft Dynamics CRM, Moneris Solutions, EDI (electronic data interchange), EFT (electronic funds transfer), Positive Pay, and UPS Worldship.

(v) Import-to-Retail Distribution (PointForce)

PointForce Enterprise is a comprehensive suite of integrated modules geared to enhance distribution management efficiencies of the small to mid-size distribution organization. With over 25 modules, PointForce Enterprise is a multi-company, multi-currency and multi-warehouse application developed specifically for wholesalers, importers and distributors which sell to retailers.

(vi) WMS for IBM System I

Tecsys offers another WMS for IBM System I, designed to manage activities within the warehouse including: Receiving, Putaway, Cross Docking, Replenishment, Order Planning, Load Building,

Pallet Building, Picking, Packing, Kitting, Shipping, Cycle Counting, Returns Management, Quality Control, Freight Management, Labor Management and Warehouse Planning.

(B) Tecsys Services

Tecsys complements its product line with services that support, enhance and extend the lifecycle of its software portfolio, and which Tecsys' management believes differentiate Tecsys in the marketplace. The services provided are likewise major contributors to Tecsys' revenues and profitability. Tecsys' service categories include Implementation, Support, Advisory and System Enhancement.

(i) Implementation

Tecsys offers full-range project management services to support customer design, implementation, training and deployment of Tecsys software. Through its team of project managers, software experts and industry specialists, Tecsys' implementation team uses an industrialization-inspired structured implementation methodology designed to shorten time to value. This implementation methodology helps define a project's scope from the outset based on customers' needs and requirements, and continues throughout the full implementation lifecycle through the use of standard process models and tasks tailored to each customer's specific needs.

In addition to an extensive library of knowledgeable resources geared towards customer training and onboarding, Tecsys offers training at many different levels. Tecsys aims to transfer its in-depth knowledge of supply chain operations in a way that best suits the particular business environment of the customer. Super-user training is designed to accommodate both the scope of systems knowledge required by employees and their level of comfort with new technology. Tecsys also provides application development training that allows in-house business and IT users to maintain and customize the software themselves and provides them with the tools to migrate their customization to new releases as these are delivered.

(ii) Third-party Implementation

To deliver timely and quality supply chain transformation, Tecsys collaborates with a trusted network of implementers who possess the skills and resources to equip organizations with its technology. The Company's growing community of integrators has access to training tools and resources to inject operational agility into warehouse and supply chain operations. Implementation Partners include Valtech_Absolunet, OSF Global Services Inc., Sequoia Group Inc., Avalon Corporate Solutions Corp, RiseNow, LLC, Ascent Enterprise Solutions, Longbow Advantage, West Monroe Partners LLC., and a several Global System Integrators.

(iii) Support

Once a system has been implemented and the customer's support organization and processes are in place, that support group is the main user contact at Tecsys. Customers gain access to multi-tiered customer care programs, other services, and application, software and hardware support. Tecsys' support specialists respond via their omni-channel support portal to support incidents which have been triaged by the customer's helpdesk, provide diagnostics of the reported customer problems and provide technical resolution. The specialists are able to access the customer's system, execute sophisticated remote diagnostics and take corrective measures as needed.

Tecsys offers optional hardware configuration and setup, as well as ongoing hardware integration support on a time and materials basis. Tecsys provides hardware repair support according to the service level agreement negotiated based upon manufacturer repair service level agreements. In addition, Tecsys has historically offered hosting and database administration services.

(iv) Advisory

Tecsys' consultants work with customers throughout the customer lifecycle to proactively plan and execute professional services mandates that identify underleveraged or ineffective use of system functionality, and reconcile space, resource and operational issues. Logistics, software and analytics experts have extensive experience and in-depth knowledge in distribution operations across a wide range of industries. Advisory consultants can offer functional or technical services in nature, and work with the customer teams, both business and IT, to provide the continuity and accountability necessary to provide performance-oriented advisory services.

(v) System Enhancement

Tecsys' System Enhancement services provide customers with system integrations whereby built-in standardized Application Programming Interface (API) are installed and configured to the customers' relevant complementary systems. These integrations ensure data integrity between systems automatically while limiting manual input requirements.

System Enhancement services also build and support software personalization and customizations requested by customers that are not considered a generic feature of the Tecsys product line.

(C) Hardware and Third-party Software

(i) Hardware

Tecsys provides for both the software and hardware designed to make businesses a success. Tecsys' hardware expertise is fine-tuned for customers' needs.

Third-party hardware that may be a component of an overall delivery can include hardware from vendors Honeywell International Inc., Zebra Technologies Corporation and Terso Solutions Inc. With Terso, Tecsys offers RFID cabinets and portals which allows health system to track costly products such as medical devices and implants. In addition, Tecsys offers a proprietary 2Bin Kanban solution that is used to track lower cost/high turn items for health systems with high density storage to maximize limited available space.

(ii) Third-party Software

Tecsys products are extended by way of complementary software modules from third parties that enable Tecsys to offer a broader set of functions to address the requirements of customers.

(D) Pricing

Tecsys' subscription sales for SaaS are based on an annual subscription fee which is typically prepaid on a quarterly or yearly basis. Tecsys' subscription agreements usually have a fixed term of up to five years.

Licensing and SaaS pricing is typically based on the number of end users in the customer's organization and the number of products (or modules) sites and environments requested by the customer. In healthcare point of use deployments, pricing is based on the number of perioperative rooms or serviced locations depending on the application and use. In Distributed Order Management deployments, pricing is typically based on number of transactions or orders processed.

Perpetual licensing has related maintenance services that is typically priced at 20% of the license fee for 9-5 support and 24% of the license fee for 24x7 support.

Consulting services including implementations, project management, training, advisory services and system enhancements are priced generally on an hourly rate, depending on the type of work that will be performed for the customer and the length of the project.

(E) Intellectual Property, Other Proprietary Rights and Cyber Security

Tecsys relies primarily on a combination of copyright and trade secret laws and provisions in its services and license agreements to establish and protect Tecsys' proprietary rights on its products and technology. The source codes for Tecsys' products and technology are protected both as trade secrets and as unpublished copyrighted works.

Tecsys also utilizes certain software technologies and other information that it licenses from third parties on a non-exclusive basis, including software that is integrated with internally developed software and used in Tecsys' products to perform key functions. These third-party license agreements generally require the payment of license fees based on sales of the product in which the technology is used.

Because the software development industry is characterized by rapid technological change, Management believes that factors such as the technological and creative skills of its personnel, new product developments, frequent product enhancements, name and brand recognition and reliable product maintenance are more important for establishing and maintaining a technology leadership position than the various legal protective measures for its technology.

With the increasing sophistication and persistence of cyber threats, Tecsys is well aware of the need to manage the risks of data loss, malware and malicious attacks, whether originating internally or externally. Tecsys has implemented a continuously evolving security program (including firewalls, intrusion detection software, network access control measures, antivirus software and regular back-ups to limit data losses) to keep pace with these threats. Independent checks reveal that Tecsys has not experienced material breaches in cyber security. Tecsys continues to both monitor these risks as well as to fortify its defenses against intrusion while refining its security governance plans and procedures

Patent registrations owned by Tecsys include U.S. Patent No. 10,892,051 for its Systems and Methods for Automatically Tracking Products in a Medical Facility, U.S. Patent No. 10,380,539 for its Systems and Methods of Managing Inventory in a Medical Facility, U.S. Patent

No. 8,839,132 for its Method and System for Providing Visual Instructions to Warehouse Operators, U.S. Patent No. 8,461,962 for its System and Method for Provisioning Two Bins Replenishment Systems, U.S. Patent No. 9,767,253 for its System and Method for Adding and Tracking Product Information to a Patient Record and U.S. Patent No. 8,113,424 for its System and Method for Tracking Medical Products in a Two Bin Per Medical Products Replenishment System. In Canada, Tecsys owns patent registrations for the System and Method for Items Replenishment (Registration No. 2565934), for the Method and System for Providing Visual Instructions to Warehouse Operators (Registration No. 2723355), for the System and Method for Adding and Tracking Product Information to a Patient Record (Registration No. 2663781), for the Systems, Methods and Apparatus for Provisioning and Tracking Medical Supplies for Medical Procedures (Registration No. 2712684), for the Systems and Methods of Managing Inventory in a Medical Facility (Registration No. 2880549) and for the System and Method for Tracking Medical Products in a Two Bin Per Medical Products Replenishment System (Registration No. 2682561).

Tecsys also has trademark applications and registrations in Canada, the United States, the U.K. and the European Union for various logos containing the word element TECSYS. It has trademark registrations in Canada and the United States for ELITESERIES and in Canada, the United States, the European Union and the U.K. for TECSYS ELITE SERIES. The Company has trademark registrations for VISUAL LOGISTICS and WINSOL in Canada, LOGIDATA in Canada and iTopia in India, Canada and in the United States. Tecsys has registered or applied to register certain trademarks and service marks and will continue to evaluate the registration of additional trademarks and service marks as appropriate.

(F) Distribution Methods

Tecsys is headquartered in Montréal, Canada, with members of its sales and marketing organizations located at Tecsys' head office and in various parts of Europe and North America. Tecsys' sales and marketing organizations market and sell its products and services by targeting key vertical markets in geographic regions through direct sales efforts and reseller partners. As at April 30, 2022, Tecsys employed 88 individuals in sales and marketing.

(i) Direct Sales

The majority of Tecsys' software sales originate from its direct sales channel. Tecsys' direct sales force is located in North America and Europe. Tecsys' sales personnel are focused on the management of existing accounts and sales to new customers. Tecsys' sales representatives tasked with new customer acquisition have expertise in SCM in specific vertical markets, namely complex distribution (wholesale distributors, 3PLs and retail) and healthcare.

In addition to Tecsys' direct sales channel, Tecsys utilizes a strong ecosystem of implementation and technology partners to reach into the market and act as an additional source of sales leads for the Tecsys direct salesforce.

(G) Production Methods

Tecsys' suite of supply chain software products is continually expanding as new products are developed and capabilities are added to existing products. Tecsys' research and development ("R&D") division produces new versions at a regular cadence, with new major features released on a fixed schedule every three to six months depending on the products.

Tecsys' R&D division achieves short development cycles and responsiveness to market opportunities and client needs by:

- using software methodologies based on the iterative process known as Agile;
- continually validating and integrating software under development so that it is ready to release; and
- organizing itself in small, self-directed teams that have the skills to define, develop and test their software products.

Tecsys' software architecture has been modernized through a substantial investment in R&D over the past several years. It is now web-based, supporting multiple web browsers and devices (PCs, tablets and phones). The business logic is written in Java and .NET, which Management believes are two of the world's most popular programming languages and runs on the leading commercial databases. The SaaS products are hosted on well-known, industry-leading cloud providers.

In line with Tecsys' SaaS transition, it is significantly investing in a SaaS product architecture and delivery model.

With respect to hardware products, including mobile and fixed computing technology, Tecsys typically acquires these from various suppliers (including Honeywell, Zebra and Terso) and resells them to its customers. Tecsys also sells proprietary hardware technology that can be used at point of use in hospitals.

(H) Description of Properties

Tecsys presently has five offices as follows:

Tecsys' registered and executive offices are located in leased facilities of approximately 42,000 square feet located at 1 Place Alexis Nihon, Suite 800, Montréal, Québec. The original lease was signed on September 15, 2009 and became effective May 1, 2010. On April 21, 2017, the Company signed an amendment extending the current lease to November 30, 2025.

On June 30, 2011, Tecsys signed a new lease for a facility of approximately 14,000 square feet at 15 Allstate Parkway, Markham, Ontario. The lease became effective on April 1, 2012 and will expire on July 31, 2022. Tecsys does not intend to renew the lease on this facility, opting instead for shorter term, flexible, serviced office space to replace this facility.

On December 3, 2015, Tecsys signed a new lease for a facility of approximately 14,000 square feet at 820 Boulevard St-Martin West, Laval, Québec. This lease became effective March 1, 2016 and will expire February 28, 2026.

Tecsys A/S leases a facility of approximately 10,000 square feet, located at Stationsparken 25, DK-2600 Glostrup, Denmark. The lease became effective July 1, 2015, can be terminated by Tecsys A/S with 6 months' notice anytime after June 30, 2020 and expires on December 31, 2026.

Tecsys A/S leases a facility of approximately 450 square feet, located at Bogøvej 15, DK-8382 Hinnerup, Denmark. The lease became effective June 1, 2015, and can be terminated with 4 months' notice.

(I) Competitive Conditions

The supply chain management software industry is highly competitive and fragmented, consisting of many rapidly changing and evolving competitors. Tecsys' management believes that its technology platform and integrated applications, which include office applications - demand planning & forecasting, order management and financial management applications - as well as its warehouse management for the distribution center solutions, are currently unique. The Company's management is not aware of any competitor that has equivalent integrated functionality, technology and industry-specific expertise to address the high-volume distribution market. The principal competitive factors affecting the market for Tecsys' products include supplier competency, product functionality, performance and reliability of technology, depth and experience in distribution and operations, ease of implementation, speed of deployment and total cost of ownership.

Management believes that Tecsys' technology platform and its integrated products and their respective capabilities are more advanced with respect to the high-volume distribution market and major healthcare networks than those of its direct competitors in particular for the flexibility, scalability, ease-of-use and depth of functionality of the Company's Distribution Order Management, Warehouse Management, Transportation Management, Point-of-Use Inventory Management, Electronic Commerce and Business Intelligence applications. Competitors to Tecsys include SAP AG, Oracle Corporation, IBM, Manhattan Associates, Inc., Blue Yonder, Inc., Körber AG (formerly HighJump Software Inc.), Infor Inc., Softeon, Inc., Microsoft Corporation, Cardinal Health, Inc., Par Excellence Systems, Inc. and Omnicell, Inc.

(J) Net Research and Development

Net R&D expenditures of the Company (in thousands of dollars) for the five most recently completed financial years are set out in the table below:

	2022	2021	2020	2019	2018
	\$000's	\$000's	\$000's	\$000's	\$000's
EXPENDITURES	23,919	20,852	17,315	13,441	9,998
LESS: TAX CREDITS	(3,362)	(2,299)	(2,041)	(1,711)	(1,484)
LESS: DEFERRED DEVELOPMENT COSTS	(1,072)	(254)	(575)	(163)	0
AMORTIZATION OF DEFERRED DEVELOPMENT COSTS	<u>290</u>	<u>269</u>	<u>536</u>	<u>1,114</u>	<u>1,283</u>
TOTAL	<u>19,775</u>	<u>18,568</u>	<u>15,235</u>	<u>12,681</u>	<u>9,797</u>

Net R&D expenses amounted to \$19.8 million in Fiscal 2022, up \$1.2 million from the previous fiscal year. The increase was primarily the result higher personnel costs partially offset by higher R&D tax credits and higher deferred development costs. The Company recorded \$3.4 million of R&D tax credits and e-business tax credits in Fiscal 2022 in comparison to \$2.3 million for the previous fiscal year. In Fiscal 2022, the Company recognized \$0.6 million of Federal non-refundable SRED tax credits generated in prior periods due to increased probability that these credits will be realized in the future. Additionally, the Company deferred \$1.1 million of development costs in Fiscal 2022 in comparison to \$0.3 million in Fiscal 2021. The Company amortized deferred development costs and other intangible assets of \$0.3 million in both Fiscal 2022 and Fiscal 2021.

(K) Number of Employees

As at April 30, 2022, Tecsys had approximately 719 employees, up from 655 employees at April 30, 2021. As at April 30, 2022, there were approximately 68 employees working for

Tecsys U.S., up from 58 employees April 30, 2021.

4. DESCRIPTION OF CAPITAL STRUCTURE

Authorized Capital

The authorized share capital of Tecsys consists of an unlimited number of common shares and an unlimited number of Class A preferred shares, issuable in series, of which 14,562,895 common shares were issued and outstanding and no Class A preferred shares were issued and outstanding as at April 30, 2022.

Common Shares

Each common share entitles the holder thereof to one vote at meetings of shareholders of the Company and to receive dividends if, as and when declared by the Board and to participate upon liquidation or winding-up in the distribution of the assets of the Company, subject to the rights of holders of any class ranking prior to the common shares.

Class A Preferred Shares

The Class A preferred shares may be issued from time to time in one or more series as may be determined by the Board. The Class A preferred shares rank ahead of the common shares with respect to the payment of dividends and return of capital. The Class A preferred shares do not entitle the holder to vote at meetings of shareholders of the Company except as required pursuant to applicable law.

5. DIVIDEND POLICY

On February 26, 2008, the Board approved a dividend policy whereby it intended to declare a cash dividend of \$0.02 per common share to be distributed following the release of the financial results of the first and the third quarter of each financial year. Since that date, the Board has consistently increased dividends and under the current dividend policy, the Board intends to declare a cash dividend of \$0.07 per common share on a quarterly basis.

The decision of whether to declare a dividend is subject to the discretion of the Board and applicable law. In determining whether to declare and the amount of a dividend, the Board, among other criteria, takes into account the Company's financial condition, results of operations, capital requirements and such other factors as the Board deems relevant.

The Company paid \$0.27 per common share (\$3,929,000 in aggregate) in dividends in Fiscal 2022, \$0.25 per common share (\$3,607,000 in aggregate) in dividends in Fiscal 2021, and \$0.23 per common share (\$3,009,000 in aggregate) in dividends during Fiscal 2020.

6. MARKET FOR SECURITIES

The common shares of Tecsys are listed under the symbol “TCS” on the TSX. The following table sets forth the market price range, in Canadian dollars, and trading volumes of the common shares on the TSX and combined with other alternative exchanges (including Alpha, Aeroquest, Aequitas, Chi-X, CX2, CSE Pure, Instinet, LiquidNet, Lynx and Omega) for each month of the most recently completed financial year:

	PRICE RANGE		TRADING VOLUME TSX	TRADING VOLUME TSX + ALTERNATIVE EXCHANGES
	HIGH	LOW		
May 2021	46.59	39.75	337,299	652,451
June 2021	43.20	39.38	601,141	1,160,293
July 2021	52.69	39.18	427,217	811,012
August 2021	58.99	50.50	270,653	884,401
September 2021	59.49	54.50	384,613	524,507
October 2021	61.06	51.94	177,312	338,137
November 2021	60.80	51.60	617,145	882,908
December 2021	54.00	44.16	404,294	650,315
January 2022	53.87	36.47	825,201	1,320,441
February 2022	43.15	33.53	666,464	1,176,003
March 2022	36.00	29.08	651,938	1,426,063
April 2022	33.72	24.92	947,466	1,240,980

Prior Sales

The Company issued the following unlisted securities during Fiscal 2022.

DATE OF ISSUANCE	SECURITIES	NUMBER OF SECURITIES	PRICE PER SECURITIES
June 29, 2021 ¹	Options	166,472	\$40.34

Notes:

- (1) On June 29, 2021, the Company granted a total of 166,472 options to purchase common shares at an exercise price of \$40.34 per option pursuant to the Company’s stock option plan.

7. OFFICERS & DIRECTORS

The following table sets forth, as of April 30, 2022, the name, province or state and country of residence, office with Tecsyst and principal occupation during the past five years of each director and executive officer of Tecsyst, as well as the number of common shares of Tecsyst beneficially owned or over which control or direction is exercised by him or her. Directors are elected until the next annual meeting of shareholders or, in the case of a vacancy or resignation, until a successor is elected by shareholders or appointed by the Board.

NAME & PLACE OF RESIDENCE	OFFICE HELD WITH TECSYST	PRINCIPAL OCCUPATIONS DURING THE PAST 5 YEARS	OFFICER/DIRECTOR SINCE	NUMBER OF COMMON SHARES HELD
David Brereton ⁽¹⁾ Québec, Canada	Executive Chairman of the Board and Director	Executive Chairman of the Board, Tecsyst	September 17, 1997	2,441,240
Peter Brereton ⁽²⁾ Québec, Canada	President, Chief Executive Officer and Director	President and Chief Executive Officer, Tecsyst	September 17, 1997	420,080
Mark J. Bentler ⁽³⁾ Québec, Canada	Chief Financial Officer and Secretary	Chief Financial Officer, Tecsyst	September 17, 2018	6,341
Vernon Lobo ⁽⁴⁾⁽⁶⁾⁽⁷⁾ Ontario, Canada	Lead Director	Managing Director, Mosaic Venture Partners Inc. (private venture capital firm)	October 17, 2006	131,400
Steve Sasser ⁽⁴⁾⁽⁵⁾⁽⁸⁾ Texas, USA	Director	Co-Founder and Managing Principal, Swordstone Partners (consulting and software company)	April 29, 2009	42,000
David Booth ⁽⁵⁾⁽⁶⁾⁽⁹⁾ Virginia, USA	Director	Consultant, BackOffice Associates LLC	September 8, 2016	9,500
Rani Hublou ⁽⁴⁾⁽⁶⁾⁽¹⁰⁾ California, USA	Director	Principal, Incline Strategies (management consulting firm)	September 10, 2020	700
Kathleen Miller ⁽⁵⁾⁽¹¹⁾ Florida, USA	Director	Corporate Director	September 10, 2020	1,000

- (1) David Brereton, directly and through his holding company, Dabre Inc., and his spouse, Kathryn Ensign-Brereton, hold respectively 1,412,138 and 1,029,102 common shares, which represent respectively 9.70% and 7.07% of the outstanding common shares. David Brereton disclaims beneficial ownership and control or direction over the common shares held by Kathryn Ensign-Brereton.
- (2) Peter Brereton and his spouse, Sharon House, hold respectively 319,921 and 100,159 common shares. Peter Brereton disclaims beneficial ownership and control or direction over the common shares held by Sharon House.
- (3) Mark J. Bentler was appointed Chief Financial Officer of the Company effective September 17, 2018. Mr. Bentler was the Chief Financial Officer of Aptos Inc from June 2015 to August 2018. Previously, Mr. Bentler was the Vice-President of Epicor Software Corp. from June 2008 to June 2015.
- (4) Member of Compensation Committee. Steve Sasser is the Chair of the Compensation Committee.
- (5) Member of the Audit Committee. Kathleen Miller is the Chair of the Audit Committee.
- (6) Member of the Corporate Governance and Nominating Committee. David Booth is the Chair of the Corporate Governance and Nominating Committee.
- (7) Vernon Lobo is the Lead Director. Vernon Lobo and his spouse, Ingrid Lobo, hold respectively 49,400 and 82,000 common shares. Vernon Lobo disclaims beneficial ownership and control or direction over the common shares held by Ingrid Lobo.
- (8) Steve Sasser co-founded Swordstone Partners in April 2016 and is currently the Managing Principal. Previously, Mr. Sasser was the Chief Executive Officer of Merlin Technologies Corporation from February 2007 until August 2015.
- (9) David Booth is a consultant at BackOffice Associates LLC since January 2018. Previously, Mr. Booth was the President, Chairman and Chief Executive Officer of BackOffice Associate LLC from August 2011 to January 2018.

- (10) Rani Hublou is currently Principal at Incline Strategies. From May 2017 to April 2019, she was chief marketing officer at 8X8 Inc. Ms. Hublou was previously Chief Product and Marketing Officer at Comprehend Systems (now Saama Technologies) from 2014 to 2017.
- (11) Kathleen Miller is a corporate director. She was Chief Financial Officer at Energy Exemplar from December 2020 to March 2021. Ms. Miller was previously Chief Financial Officer at Nitro Software Inc. from 2019 to 2020 and Chief Financial Officer and Chief Operating Officer at NCourt LLC from 2014 to 2018.

As of June 29, 2022, the directors and executive officers of Tecsys, as a group, beneficially own, directly or indirectly, or exercise control or direction over, 13.07% of the outstanding common shares.

During the past five years, each of the directors and officers of Tecsys has been engaged in his or her present principal occupations or in other executive capacities with the companies indicated opposite his name or with related or affiliated companies.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of the Company, no director or executive officer of the Company is, as at the date hereof, or has been within ten years before the date hereof, a director, chief executive officer or chief financial officer of any company that was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days (a) that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or (b) 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 director, chief executive officer or chief financial officer.

To the knowledge of the Company, no director or executive officer of the Company and no shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company (a) is, as at the date hereof, or has been within ten years before the date hereof, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or (b) has, within the ten years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets.

Furthermore, to the knowledge of the Company, no director or executive officer of the Company and no shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company has been subject to (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Audit Committee

General

Tecsys has established an Audit Committee (the “**Audit Committee**”) comprised of three members: Steve Sasser, David Booth and Kathleen Miller each of whom is considered “independent” and “financially literate” within the meaning of Multilateral Instrument 52-110 - Audit Committees. Kathleen Miller is currently the Chair of the Audit Committee.

Mandate of the Audit Committee

The mandate of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities. As such, it reviews the quality and integrity of Tecsys’ financial reporting, the independence, qualifications and performance of Tecsys’ external auditor, the adequacy of Tecsys’ internal systems of accounting and financial controls, the appropriateness of Tecsys’ accounting policies and compliance with applicable legal and regulatory requirements and internal corporate policies. The Charter of the Audit Committee is attached hereto as Appendix A.

Relevant Education and Experience of the Audit Committee Members

The following is a brief summary of the education and experience of each member of the Audit Committee that is relevant to the performance of his responsibilities as a member of the Audit Committee, including any education or experience that has provided the member with an understanding of the accounting principles used by Tecsys to prepare its annual and interim financial statements.

Name of Audit Committee Member	Relevant Education and Experience
Kathleen Miller	Ms. Miller, a corporate director, is a qualified financial expert and certified public accountant. She earned a Bachelor of Science in Accounting, cum laude from Alfred University and a Masters of Legal Studies in Corporate Compliance and Governance, magna cum laude from Fordham University. Ms. Miller has over 30 years’ experience in finance and accounting including financial statement preparation and analysis, forecasting, budgeting, M&A and operations. She currently serves as a Non- Executive Director for both public and private enterprise software companies including Audit Chair for True Commerce and Audit Committee and Compensation Committee member for IOU Financial (TSXV:IOU). Prior to her retirement from full-time work in 2021, Ms. Miller held CFO and COO roles in both public and privately held enterprise, SaaS-based, software companies including Nitro Software (ASX:NTO) from 2019 to 2021, nCourt/Government Brands from 2014 to 2018, eSecuritel/Brightstar from 2009 to 2013, Witness/Verint (NASDAQ: VRNT) from 1999 to 2007 and MapInfo (NASDAQ:MAPS) 1994 to 1999. Ms. Miller began her career in public accounting as an auditor with Coopers & Lybrand.

Steve Sasser	Mr. Sasser holds a Bachelor of Business Administration and a Master's of Business Administration from Southern Methodist University, with a concentration in finance. Currently, Mr. Sasser is the Managing Principal of Swordstone Partners which he co-founded in April 2016. Previously, Mr. Sasser was the Chief Executive Officer of Merlin Technologies Corporation from February 2007 until August 2015. Prior to February 2007, Mr. Sasser was the Chief Executive Officer of Peopleclick Inc. Between 1995 and 2003, Mr. Sasser was the Chief Executive Officer of Frontstep Inc. (formerly Symix Systems Inc.), a public company, the shares of which were traded on NASDAQ.
David Booth	Mr. Booth holds a Bachelor's of Commerce degree with a concentration in marketing from Mount Allison University which included three years of accounting courses, and completed the Lessons in Leadership Executive Development Program at Harvard University. Prior to February 2019, Mr. Booth was the President, Chairman and Chief Executive Officer at BackOffice Associates, LLC. Mr. Booth has served in several key positions in his 35+ year career in the industry including President of Global Sales and Marketing at Computer Science Corp. (CSC), Hewlett Packard (HP) Corporation's Senior Vice President and General Manager of the Americas Technology Solutions Group, President of Compaq Canada and Digital Equipment Corporation as Regional Vice President and General Manager.

External Auditor Service Fees

The following table shows the fees paid to Tecsyst's auditors, KPMG LLP, in Fiscal 2022 and Fiscal 2021, respectively, for services provided:

	FISCAL 2022	FISCAL 2021
AUDIT FEES	\$332,052	\$340,827
AUDIT-RELATED FEES	\$74,824	\$59,608
TAX FEES	\$115,535	\$94,374
TOTAL	\$522,411	\$494,809

Audit Fees

These fees include professional services rendered by the external auditors for statutory audits of Tecsyst's annual financial statements including interim reviews on an as needed basis. The above table excludes fees paid to Inforevision of approximately \$25,950 or services related to the 2022 audit of Tecsyst A/S.

Audit-Related Fees

These fees include assurance and related services rendered by the external auditor that reasonably relate to the performance of the audit or review of Tecsyst's financial statements, including translation of the consolidated financial statements and the MD&A and Service Organization Control Reports.

Tax Fees

These fees include professional services for tax compliance, tax advice and tax planning.

Policies and Procedures for the Engagement of Audit and Non-Audit Services

The Audit Committee Charter outlines policies and procedures for the engagement of audit and non-audit services. Under these policies and procedures, all audit and non-audit services to be provided by Tecsys' external auditor (the "**Auditors**") must be pre-approved by the Audit Committee. A pre-approved range of services to be provided by the external auditors has been established in the policy.

If an engagement of the Auditors for a particular service that is not covered under the range of pre-approved services is contemplated, pre-approval by the Audit Committee must be received for the engagement to proceed.

Similarly, in the case of proposed engagements of the Auditors involving any of the services covered under the pre-approved range of services where the fees for any such engagement are expected to exceed \$5,000, specific pre-approval must be obtained from the Audit Committee. In respect of any other pre-approved services to be provided by the Auditors, the Chairman of the Audit Committee shall be notified expeditiously of such services commenced by the Auditors.

8. LEGAL PROCEEDINGS

Neither the Company or its properties was, during Fiscal 2022, subject to any legal proceeding that would have a material adverse effect on it. To the Company's knowledge, no material legal proceedings involving the Company, or its property are contemplated.

9. TRANSFER AGENT AND REGISTRAR

Tecsys' transfer agent and registrar is Computershare Investor Services Inc. ("**Computershare**"). The register of transfers of the common shares of Tecsys maintained by Computershare is located at its offices in Montréal, Québec.

10. INTEREST OF EXPERTS

The Company's auditors are KPMG LLP. They issued an independent auditors' report dated June 29, 2022, in respect of the Company's consolidated financial statements with accompanying notes for Fiscal 2022 and have advised that they are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada.

KPMG LLP and Inforevision are the only persons, companies or partnerships which are named as having prepared or certified a statement, report or valuation described, included or referred to in a filing made by the Company during or relating to the Company's most recently completed financial year and whose profession gives authority to the statement, report or valuation made. Inforevision, based in Denmark is responsible for the audit of Tecsys A/S and Tecsys Denmark Holding ApS.

11. RISK FACTORS

Special note regarding forward-looking statements

Certain statements contained under the captions “General Development of the Business”, “Description of the Business” and “Risk-Factors” and elsewhere in this Annual Information Form constitute forward-looking statements. When used in this document, the words “may”, “would”, “could”, “will”, “intend”, “anticipate”, “believe”, “expect” and similar expressions, as they relate to Tecsys or Management, are intended to identify forward-looking statements. Such statements reflect Tecsys’ current views with respect to future events, are based on information currently available to Tecsys and are subject to certain risks and uncertainties, including those discussed hereafter. Such statements are also based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about: (i) competitive environment; (ii) operating risks; (iii) Tecsys’ Management and employees; (iv) capital investment by Tecsys’ customers; (v) customer project implementations; (vi) liquidity; (vii) current global financial conditions; (viii) implementation of Tecsys’ commercial strategic plan; (ix) credit; (x) potential product liabilities and other lawsuits to which Tecsys may be subject; (xi) additional financing and dilution; (xii) market liquidity of Tecsys’ common shares; (xiii) development of new products; (xiv) intellectual property and other proprietary rights; (xv) acquisition and expansion; (xvi) foreign currency; (xvii) interest rates; (xviii) technology and regulatory changes; (xix) internal information technology infrastructure and applications; (xx) cyber security and (xxi) expected impact of COVID-19 pandemic on the Company’s future operations and performance.

Many factors could cause Tecsys’ actual results, performance or achievements to differ materially from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated or expected. These factors should be considered carefully and prospective investors should not place undue reliance on the forward-looking statements. These forward-looking statements are made as of the date of this Annual Information Form and Tecsys does not intend, and does not assume any obligation, to update or revise these forward-looking statements.

In addition to the other information in this Annual Information Form, the following risk factors should be carefully considered when evaluating an investment in Tecsys’ common shares:

The Company has incurred net losses in the past and may incur losses in the future.

The Company recognized net profits from Fiscal 2008 to Fiscal 2018, incurred a net loss in Fiscal 2019 and then recognized profit in Fiscal 2020, Fiscal 2021 and Fiscal 2022. The Company continuously adjusts its operating model for long term profitability. However, there can be no assurance that the Company will achieve or sustain profitability in the future. As of April 30, 2022, the Company had retained earnings of \$13.0 million. The Company’s dependence on a market characterized by rapid technological change makes the prediction of future results of operations difficult or impossible. There can be no assurance that the Company can generate substantial revenue growth on a quarterly or annual basis, or that any revenue growth that is achieved can be sustained. Revenue growth that the Company has achieved or may achieve may not be indicative of future operating results. In addition, the Company may increase its operating expenses in order to fund higher levels of R&D, increase its sales and marketing efforts, develop new distribution channels, broaden its customer support capabilities and expand

its administrative resources in anticipation of future growth. To the extent that increases in such expenses precede or are not subsequently followed by increased revenues, the Company's business, results of operations and financial condition would be materially adversely affected.

The Company's operations could be adversely affected by events outside of its control, such as natural disasters, wars or health epidemics.

The Company may be impacted by business interruptions resulting from pandemics and public health emergencies, including those related to the COVID-19 pandemic, geopolitical actions, including war and terrorism or natural disasters including earthquakes, typhoons, floods and fires. COVID-19 has had disruptive effects on the global economy and such impact and increased uncertainty has increased volatility in worldwide financial markets. Although the full extent of the impact of the outbreak is still uncertain, increased or prolonged economic disruption as a result of the pandemic may have an adverse impact on the Company's results of operations or financial condition.

Economic conditions can adversely affect our business, results of operations, cash flow and financial condition, including our revenue growth and profitability, which in turn could adversely affect our stock price.

Our business is influenced by general economic and business conditions that are beyond our control and that we have no comparative advantage in forecasting. Global macroeconomic developments could negatively affect our business, operating results, financial condition and outlook, which, in turn, could adversely affect our stock price. Any general weakening of, and related declining corporate confidence in the global economy could cause current or potential customers to reduce or eliminate their information technology budgets and spending, which could cause customers to delay, decrease or cancel purchases of our products and services; or cause customers not to pay us; or to delay paying us for previously purchased products and services.

If the Company is unable to attract new customers or sell additional products to its existing customers, its revenue growth and profitability will be adversely affected.

To increase its revenue and achieve and maintain profitability, the Company must regularly add new customers or sell additional solutions to its existing customers, which it plans to do. Numerous factors, however, may impede its ability to add new customers and sell additional solutions to its existing customers, including its inability to convert companies that have been referred to the Company by its existing network into paying customers, failure to attract and effectively train new sales and marketing personnel, failure to retain and motivate its current sales and marketing personnel, failure to develop relationships with partners or resellers and/or failure to ensure the effectiveness of its marketing programs. In addition, if prospective customers do not perceive its solutions to be of sufficiently high value and quality, it will not be able to attract the number and types of new customers that it is seeking.

Impact of transitioning from primarily on-premise perpetual license sales to a higher mix of Software as a Service (SaaS)

The Company offers certain of its solutions as Software as a Service ("SaaS") which will negatively impact revenue and earnings in the transition period. The Company significantly began to offer more of its solutions under the SaaS option in Fiscal 2019, in addition to its on-premise perpetual license option. Under a SaaS subscription agreement, customers pay a periodic fee for the right to use the Company's software within a cloud-based environment that it provides and

manages over a specified period of time. The Company believes that over time a growing number of its customers and prospects will elect to purchase its solutions as SaaS rather than under an on-premise perpetual license. SaaS revenue is recognized ratably over the term of the SaaS arrangement whereas on-premise license revenue is generally recognized upon purchase. Because of this difference in revenue recognition timing, an increase in the mix of SaaS sales could result in declining on-premise perpetual license sales, and this would have a negative short-term impact on revenue and profit.

Fluctuations in Quarterly Results may fail to meet the expectations of investors or security analyst which could cause the Company's share price to decline.

The Company's quarterly operating results have in the past, and will in the future, fluctuate significantly, depending on factors such as the demand for the Company's products, the size and timing of orders, the mix of on-premise perpetual license and SaaS, the number, timing and significance of new product announcements by the Company and its competitors, the ability of the Company to develop, introduce and market new and enhanced versions of its products on a timely basis, the level of product and price competition, changes in operating expenses, changes in average selling prices and product mix, sales personnel changes, the mix of direct and indirect sales, product returns and general economic factors, among others.

In particular, the Company's quarterly results are affected by the mix of on-premise perpetual license and SaaS, timing of new releases of its products and upgrades. The Company's operating expenses are based on anticipated revenue levels in the short term and are relatively fixed and incurred throughout the quarter. As a result, if the revenues are not realized in the expected quarter, the Company's operating results could be materially adversely affected. Quarterly results in the future will be influenced by these or other factors, including possible delays in the shipment of new products and purchasing delays of current products as customers anticipate new product releases. Accordingly, there could be significant variations in the Company's quarterly operating results.

Lengthy Sales and Implementation Cycle could have an adverse effect on the amount, timing and predictability of the Company's revenue.

The sale and implementation of the Company's products generally involves a significant commitment of resources by prospective customers. As a result, the Company's sales process is often subject to delays associated with lengthy approval processes attendant to significant expenditures. For these and other reasons, the sales cycle associated with the signing of new sales agreements for the Company's products varies substantially from customer to customer and typically lasts between six and twelve months. During this time, the Company may devote significant resources to a prospective customer, including costs associated with multiple site visits, product demonstrations and feasibility studies, and experience a number of significant delays over which it has no control. In addition, following a new sales agreement, the implementation period may involve six to twenty-four months (or longer) for consulting services, customer training and integration with the customer's other existing systems.

Defects, Delays or Interruptions in providing SaaS will have an impact on the operating results of the Company.

If the Company encounters defects, delays or interruptions in its SaaS, the demand for these services could diminish, and the Company could incur significant liability. The Company currently

utilizes data center hosting facilities and cloud compute service providers, which are managed by third-parties, to provide cloud-based solutions and hosting services to its customers. If the data center facilities or cloud service providers fail or encounter any damage, it could result in interruptions in services to the Company's customers. This could result in unanticipated downtime for the Company's customers, and in turn, its reputation and business could be adversely affected. In addition, if the Company's customers use SaaS arrangements in unanticipated ways, this could cause an interruption in service for other customers attempting to access their data. Moreover, since SaaS customers access the services via the internet, any interruptions in the internet availability will affect the customers' operations.

If any defects, delays or interruption in the Company's SaaS solutions occur, customers could elect to cancel their service, delay or withhold payment to the Company, not purchase from the Company in the future or make claims against it, which could adversely affect its business reputation, results of operations, cash flow, and financial condition.

Security breaches could delay or interrupt service to its customers, harm its reputation or subject the Company to significant liability and adversely affect its business and financial results. Its ability to retain customers and attract new customers could be adversely affected by an actual or perceived breach of security relating to customer information.

The Company's operations involve the storage and transmission of the confidential information of many of its customers and security breaches could expose it to a risk of loss of this information, litigation, indemnity obligations and other liability. If its security measures are breached as a result of third-party action, employee error, malfeasance or otherwise, and, as a result, someone obtains unauthorized access to its customers' data, including personally identifiable information regarding users, damage to its reputation is likely, its business may suffer and it could incur significant liability. Because techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until launched against a target, it may be unable to prevent these techniques or to implement adequate preventative measures. The Company has implemented technical, organizational and physical security measures, including employee training, backup systems, monitoring and testing and maintenance of protective systems and contingency plans, to protect and to prevent unauthorized access to confidential information of its customers and to reduce the likelihood of disruptions to its systems.

Despite these measures, all its information systems, including back-up systems and any third party service provider systems that it employs, are vulnerable to damage, interruption, disability or failure due to a variety of reasons, including physical theft, electronic theft, fire, power loss, computer and telecommunication failures or other catastrophic events, as well as from internal and external security breaches, denial of service attacks, viruses, worms and other known or unknown disruptive events. The Company or its third-party service providers may be unable to anticipate, timely identify or appropriately respond to one or more of the rapidly evolving and increasingly sophisticated means by which computer hackers, cyber-terrorists and others may attempt to breach its security measures or those of its third-party service providers' information systems.

If a breach of its security measures occurs, the market perception of their effectiveness could be harmed and the Company could lose potential sales and existing customers. Further, a security breach affecting one of its competitors or any other company that provides hosting services or delivers applications under a SaaS model, even if no confidential information of its customers is compromised, may adversely affect the market perception of its security measures

and it could lose potential sales and existing customers.

Despite the Company's security measures, its information technology and infrastructure may be vulnerable to cyber-threats, security and privacy breaches by hackers or breaches due to employee error, malfeasance or other disruptions.

With the increasing sophistication and persistence of cyber-threats, Tecsys is well aware of the need to manage the risks of data loss, malware and malicious attacks, whether originating internally or externally. Tecsys has implemented a continuously- evolving security program to keep pace with these threats. Independent checks reveal that Tecsys has not experienced material breaches in cyber security. Tecsys continues to monitor these risks and continues to fortify its defenses against intrusion and refine its security governance. Despite the Company's security measures, its information technology and infrastructure may be vulnerable to attacks by hackers or breaches due to employee error, malfeasance or other disruptions. Any such breach could compromise Tecsys' networks and the information stored there could be accessed, publicly disclosed, lost or stolen.

The Company's ability to develop new products and services in order to sell its solutions into new markets or further penetrate its existing markets will impact its revenue growth.

The software industry is characterized by rapid technological change and frequent new product introductions. Accordingly, the Company believes that its future success depends upon its ability to enhance current products or develop and introduce new products that enhance performance and functionality at competitive prices. The Company's inability, for technological or other reasons, to develop and introduce products in a timely manner in response to changing market conditions or customer requirements could have a material adverse effect on its business, results of operations and financial condition.

The ability of the Company to compete successfully will depend in large measure on its ability to maintain a technically competent R&D staff and adapt to technological changes and advances in the industry, including providing for the continued compatibility of its software products with evolving computer hardware and software platforms and operating environments. There can be no assurance that the Company will be successful in these efforts.

The market in which the Company participates is highly competitive, its failure to compete successfully would make it difficult to add and retain customers and would reduce and impede its growth.

The Company competes in many cases against companies with more established and larger sales and marketing organizations, larger technical staff and significantly greater financial resources. As the market for the Company's products continues to develop, additional competitors may enter the market and competition may intensify. The increased competition could result in pricing pressure and a reduction of margins, which could then lead to a reduction of the Company's market share. Additionally, there can be no assurance that competitors will not develop products superior to the Company's products or achieve greater market acceptance due to pricing, sales channels or other factors.

If the Company fails to retain its key employees, its business would be negatively impacted.

The Company's dependence on key personnel to operate its business represents risk of loss

of expertise if key personnel were to leave.

The Company depends on the experience and expertise of its executive management team. Competition for executives, as well as for skilled product development and technical personnel, in the software industry is intense and the Company may not be able to retain, or recruit needed personnel. If the Company is not able to retain and attract existing and additional highly qualified management, sales and technical personnel, it may not be able to successfully execute its business strategy.

The Company's ability to support the growth of its business will be substantially dependent upon having in place highly trained internal and third-party resources to conduct pre-sales activity, product implementation, training and other customer support services.

The Company's strategy includes pursuing acquisitions and its potential inability to successfully integrate newly acquired companies or businesses may adversely affect its financial results.

The Company may continue to expand its operations or product line through the acquisition of additional businesses, products or technologies which may include different geographic locations. Acquisitions may involve a number of special risks, including diversion of management's attention, failure to retain key acquired personnel, risk associated with specific vertical markets, business model, integration, geographic locations, unanticipated events or circumstances and legal liabilities, some or all of which could have a material adverse effect on the Company's business, results of operations and financial condition.

Risk of Software Defects could adversely affect the Company's business.

Software products as complex as those offered by the Company frequently contain errors or defects, especially when first introduced or when new versions or enhancements are released. Despite product testing, the Company has in the past released products with defects, discovered software errors in certain of its new versions after introduction and experienced delays or lost revenue during the period required to correct these errors. The Company regularly introduces new releases and periodically introduces new versions of its software. There can be no assurance that, despite testing by the Company and its customers, defects and errors will not be found in existing products or in new products, releases, versions or enhancements after commencement of commercial shipments.

Risk Related to Protection of Intellectual Property

The Company considers certain aspects of its internal operations, software and documentation to be proprietary, and relies on a combination of copyright, patents, trademark and trade secret laws; confidentiality agreements with employees and third parties; protective contractual provisions (such as those contained in its license agreements with consultants, vendors, partners and customers) and other measures to maintain its intellectual property rights. Any of the Company's intellectual property rights could be challenged, invalidated, circumvented or copied, causing a competitive disadvantage, lost opportunities or market share, and potential costly litigation to enforce or re-establish the Company's rights. This could materially and adversely affect the Company's business, operating results and financial condition.

Risk of Third-Party Claims for Infringement

The Company is not aware that any of its products infringe the proprietary rights of third parties. There can be no assurance, however, that third parties will not claim such infringement by the Company or its licensees with respect to current or future products. The Company expects that software developers will increasingly be subject to such claims as the number of products and competitors in the Company's industry segment grows and as functionality of products in different industry segments overlaps.

Reliance on Third-Party Software

The Company relies on certain software that it sub-licenses from third parties. There can be no assurance that these third-party software companies will continue to permit the Company to sub-license on commercially reasonable terms.

Currency Risk

A significant part of the Company's revenues is realized in U.S. dollars. Fluctuations in the exchange rate between the U.S. dollar and other currencies may have a material adverse effect on the margin the Company may realize from its products and services and may directly impact results of operations. From time to time, the Company may take steps to manage such risk by engaging in exchange rate hedging activities; however, there can be no assurance that the Company will be successful in such hedging activities. The Company also has an operating subsidiary in Denmark. Significant fluctuations between the Danish krone and the Canadian dollar may have an impact on the Company's operating results.

The Company may need to raise additional funds to pursue its growth strategy or continue its operations, and it may be unable to raise capital when needed or on acceptable terms.

From time to time, the Company may seek additional equity or debt financing to fund its growth, enhance its products and services, respond to competitive pressures or make acquisitions or other investments. Its business plans may change, general economic, financial or political conditions in its markets may deteriorate or other circumstances may arise, in each case that have a material adverse effect on its cash flows and the anticipated cash needs of its business. Any of these events or circumstances could result in significant additional funding needs, requiring the Company to raise additional capital. It cannot predict the timing or amount of any such capital requirements at this time. If financing is not available on satisfactory terms, or at all, it may be unable to expand its business at the rate desired and its results of operations may suffer. Financing through issuances of equity securities would be dilutive to holders of its shares.

12. OTHER INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Tecsyst's securities and securities authorized for issuance under equity compensation plans is contained in Tecsyst's management proxy circular for Fiscal 2022.

Additional financial information is provided in Tecsyst's comparative financial statements and management's discussion and analysis for Fiscal 2022 contained in Tecsyst's 2022 Annual Report.

Additional information relating to Tecsyst may also be found on SEDAR at www.sedar.com.

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APPENDIX A - CHARTER FOR THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

1. PURPOSE

- a) The primary functions of the Audit Committee are to oversee the accounting and financial reporting practices of the Company and the audits of the Company's financial statements and to exercise the responsibilities and duties set forth below, including, but not limited to, assisting the Board in fulfilling its responsibilities in its oversight of the following: the integrity of the Company's financial statements and related information; internal controls over financial reporting and risk management; the system of internal control; the Company's compliance with Applicable Requirements (as defined below); selecting the auditors for shareholder approval; reviewing the qualifications, independence and performance of the auditors; and reviewing the qualifications and performance of the Company's financial management.

2. MEMBERSHIP AND ORGANIZATION

- a) **Composition** - The Audit Committee shall consist of not less than three independent members of the Board. At the invitation of the Audit Committee, members of the Company's management and others may attend Audit Committee meetings as the Audit Committee considers necessary or desirable.
- b) **Appointment and Removal of Audit Committee Members** - Each member of the Audit Committee shall be appointed by the Board on an annual basis and shall serve at the pleasure of the Board, or until the earlier of (a) the close of the next annual meeting of the Company's shareholders at which the member's term of office expires, (b) the death of the member, or (c) the resignation, disqualification or removal of the member from the Audit Committee or from the Board. The Board may fill a vacancy in the membership of the Audit Committee.
- c) **Chair** - At the time of the annual appointment of the members of the Audit Committee, the Board shall appoint a Chair of the Audit Committee. The Chair shall: be a member of the Audit Committee, preside over all Audit Committee meetings, coordinate the Audit Committee's compliance with this mandate, work with management to develop the Audit Committee's annual work plan and meeting agendas to ensure that all business requiring the Audit Committee's approval is appropriately tabled and provide reports of the Audit Committee to the Board.
- d) **Independence** - Each member of the Audit Committee shall meet the requirements promulgated by any exchange upon which securities of the Company are traded, or any governmental or regulatory body exercising authority over the Company, as

are in effect from time to time (collectively, the “Applicable Requirements”) related to independence and audit committee composition.

- e) ***Financial Literacy*** - At the time of his or her appointment to the Audit Committee, each member of the Audit Committee shall be able to read and understand fundamental financial statements, including a balance sheet, cash flow statement and income statement and not have participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the preceding three years. At least one member of the Audit Committee shall have past employment experience in financing or accounting, requisite professional certificate in accounting, or other comparable experience or background which results in the individual’s financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities.

3. MEETINGS

- a) ***Meetings*** - The members of the Audit Committee shall hold meetings as are required to carry out this mandate, and in any case no less than four meetings annually. The external auditors are entitled to attend and be heard at each Audit Committee meeting. The Chair, in consultation with the Executive Chairman, Chief Executive Officer, Chief Financial Officer and the Corporate Secretary, determine the frequency, dates and locations of meetings of the Audit Committee. The Chair shall chair all Audit Committee meetings that he or she attends, and in the absence of the Chair, the members of the Audit Committee present may appoint a chair from their number for a meeting.
- b) ***Corporate Secretary and Minutes*** - The Corporate Secretary, his or her designate or any other person the Audit Committee requests, shall act as secretary at Audit Committee meetings. Minutes of Audit Committee meetings shall be recorded and maintained by the Corporate Secretary and subsequently presented to the Audit Committee for approval.
- c) ***Quorum*** - A majority of the members of the Audit Committee shall constitute a quorum.
- d) ***Access to Management and Outside Advisors*** - The Audit Committee shall have unrestricted access to the Company’s management and employees and the books and records of the Company, and, from time to time may hold unscheduled or regularly scheduled meetings or portions of regularly scheduled meetings with the auditor, the Chief Financial Officer, the Chief Executive Officer or the Executive Chairman. The Audit Committee shall have the authority to retain external legal counsel, consultants or other advisors to assist it in fulfilling its responsibilities and to set and pay the respective compensation for these advisors. This is in line with

regulations issued by the CSA. The Company shall provide appropriate funding, as determined by the Audit Committee, for the services of these advisors.

- e) ***Meetings Without Management*** - The Audit Committee shall hold unscheduled or regularly scheduled meetings, or portions of regularly scheduled meetings, at which management is not present. The Audit Committee shall meet at least annually with the external auditor without management present.

4. FUNCTIONS AND RESPONSIBILITIES

The Audit Committee shall have the functions and responsibilities set out below as well as any other functions that are specifically delegated to the Audit Committee by the Board and that the Board is authorized to delegate by applicable laws and regulations. In addition to these functions and responsibilities, the Audit Committee shall perform the duties required of an audit committee by the Applicable Requirements.

a) **Financial Reports**

- i. ***General*** - The Audit Committee is responsible for overseeing the integrity of Company's financial statements and financial disclosures. Management is responsible for the preparation, presentation and integrity of the Company's financial statements and financial disclosures and for the appropriateness of the accounting principles and the reporting policies used by the Company. The auditors are responsible for auditing the Company's annual consolidated financial statements and for reading the Company's unaudited interim financial statements.
- ii. ***Review of Annual Financial Reports*** - The Audit Committee shall review the annual consolidated audited financial statements of the Company, the auditors' report thereon and the related management's discussion and analysis of the Company's financial condition and results of operation ("MD&A"). After completing its review, if advisable, the Audit Committee shall approve and recommend for Board approval the annual financial statements and the related MD&A.
- iii. ***Review of Interim Financial Reports*** - The Audit Committee shall review the interim consolidated financial statements of the Company and the related MD&A. After completing its review, if advisable, the Audit Committee shall approve and recommend for Board approval the interim financial statements and the related MD&A.
- iv. ***Review Considerations*** - In conducting its review of the annual financial statements, the Audit Committee shall:
 - meet with management and the auditors to discuss the financial statements and MD&A;
 - review the disclosures in the financial statements;

- review the audit report or other input prepared by the auditors;
- discuss with management, the auditors and legal counsel, as required, any litigation claim or other contingency that could have a material effect on the financial statements;
- review critical accounting and other significant estimates and judgments underlying the financial statements as presented by management;
- review any material effects of regulatory accounting initiatives or off-balance sheet structures on the financial statements as presented by management;
- review any material changes in accounting policies and any significant changes in accounting practices and their impact on the financial statements as presented by management;
- review management's report on the effectiveness of internal controls over financial reporting;
- review the factors identified by management as factors that may affect future financial results;
- review results of the Company's audit committee Procedure for Treatment of Complaints ("Whistle Blower") Policy; and
- review any other matters, related to the financial statements, that are brought forward by the auditors, management or which are required to be communicated to the Audit Committee under accounting policies, auditing standards or Applicable Requirements.

- v. ***Approval of Other Financial Disclosures*** - The Audit Committee shall review and, if advisable, approve and recommend for Board approval financial disclosure in a prospectus or other securities offering document of the Company, press releases disclosing financial results of the Company and any other material financial disclosure, including financial guidance provided to analysts rating agencies or otherwise publicly disseminated.

b) **Auditors**

- i. ***General*** - The Audit Committee shall be responsible for oversight of the work of the auditors, including the auditors' work in preparing or issuing an audit report, performing other audit, review or attest services or any other related work.
- ii. ***Appointment and Compensation*** - The Audit Committee shall review, select and recommend for shareholder approval the appointment of, the auditors.

The Audit Committee shall have ultimate authority to approve all audit engagement terms and fees, including the auditor's audit plan.

- iii. ***Resolution of Disagreements*** - The Audit Committee shall resolve any disagreements between management and the auditors as to financial reporting matters brought to its attention.
- iv. ***Discussions with Auditors*** - At least annually, the Audit Committee shall discuss with the auditors such matters as are required by applicable auditing standards to be discussed by the auditors with the Audit Committee, including the matters required to be discussed by Statement on Auditing Standards 61, as it may be modified or supplemented.
- v. ***Audit Plan*** - At least annually, the Audit Committee shall review a summary of the auditors' annual audit plan. The Audit Committee shall consider and review with the auditors any material changes to the scope of the plan.
- vi. ***Interim Reporting*** - The Audit Committee shall review any comments or input provided by the auditors following the auditors' reading of the Company's interim unaudited financial statements.
- vii. ***Independence of Auditors*** - At least annually, and before the auditors issue their report on the annual financial statements, the Audit Committee shall: obtain from the auditors a formal written statement describing all relationships between the auditors and the Company; discuss with the auditors any disclosed relationships or services that may affect the objectivity and independence of the auditors; and obtain written confirmation from the auditors that they are objective and independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada.. The Audit Committee shall take appropriate action to oversee the independence of the auditors.
- viii. ***Evaluation and Rotation of Lead Partner*** - At least annually, the Audit Committee shall review the qualifications and performance of the lead partner(s) of the auditors. The Audit Committee shall obtain a report from the auditors annually verifying that the lead partner of the auditors has served in that capacity for no more than seven fiscal years of the Company and that the engagement team collectively possesses the experience and competence to perform an appropriate audit. Obtain and review a report describing the auditor's internal quality control reporting and any material issues raised by most recent internal quality control review at least annually.
- ix. ***Requirement for Pre-Approval of Non-Audit Services*** - The Audit Committee shall approve in advance any retainer of the auditors to perform any non-audit service to the Company that it deems advisable in accordance with

Applicable Requirements, and Board approved policies and procedures. The Audit Committee may delegate pre-approval authority to a member of the Audit Committee. The decisions of any member of the Audit Committee to whom this authority has been delegated must be presented to the full Audit Committee at its next scheduled Audit Committee meeting.

- x. ***Approval of Hiring Policies*** - The Audit Committee shall review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company.
- c) **Internal Controls & Risk Management**
- i. ***General*** - The Audit Committee shall review the Company's internal controls and risk management systems.
 - ii. ***Establishment, Review and Approval*** - The Audit Committee shall require management to implement and maintain appropriate systems of internal controls in accordance with Applicable Requirements and guidance, including internal control over financial reporting and disclosure and to review, evaluate and approve these procedures. At least annually, the Audit Committee shall consider and review with management and the auditors:
 - the effectiveness of, or weaknesses or deficiencies in: the design or operation of the Company's internal controls (including computerized information system controls and security); the overall control environment for managing business risks, including major financial risk exposures, major security risks and business continuity risks; accounting, financial and disclosure controls (including, without limitation, controls over financial reporting), non-financial controls, and legal and regulatory controls and the impact of any identified weaknesses in internal controls on management's conclusions;
 - any significant changes in internal control over financial reporting that are disclosed, or considered for disclosure, including those in the Company's periodic regulatory filings;
 - any material issues raised by any inquiry or investigation by the Company's regulators;
 - the Company's fraud prevention and detection program, including deficiencies in internal controls that may impact the integrity of financial information, or may expose the Company to other significant internal or external fraud losses and the extent of those losses and any disciplinary action in respect of fraud taken against management or other employees who have a significant role in financial reporting; and

- related significant issues and recommendations of the auditors together with management's responses thereto, including the timetable for implementation of recommendations to correct weaknesses in internal controls over financial reporting and disclosure controls.
- iii. ***Compliance with Legal and Regulatory Requirements*** - The Audit Committee shall review reports from the Company's Corporate Secretary and other management members on: legal or compliance matters including any pending or threatened litigation that may have a material impact on the Company; the effectiveness of the Company's compliance policies; and any material communications received from regulators. The Audit Committee shall review management's evaluation of and representations relating to compliance with specific Applicable Requirements, and management's plans to remediate any deficiencies identified.
 - iv. ***Audit Committee Treatment of Complaints*** - The Audit Committee shall establish procedures for (a) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters. Any such complaints or concerns that are received shall be reviewed by the Audit Committee and, if the Audit Committee determines that the matter requires further investigation, it will direct the Chair of the Audit Committee to engage outside advisors, as necessary or appropriate, to investigate the matter and will work with management and the general counsel to reach a satisfactory conclusion.
 - v. ***Audit Committee Disclosure*** - The Audit Committee shall prepare, review and approve any audit committee disclosures required by Applicable Requirements in the Company's disclosure documents.
 - vi. ***Delegation*** - The Audit Committee may, to the extent permissible by Applicable Requirements, designate a sub-committee to review any matter within this mandate as the Audit Committee deems appropriate.

5. REPORTING TO THE BOARD

The Chair shall report to the Board, as required by Applicable Requirements or as deemed necessary by the Audit Committee or as requested by the Board, on matters arising at Audit Committee meetings and, where applicable, shall present the Audit Committee's recommendation to the Board for its approval.

6. GENERAL

The Audit Committee shall, to the extent permissible by Applicable Requirements, have such additional authority as may be reasonably necessary or desirable, in the Audit Committee's discretion, to exercise its powers and fulfil the duties under this mandate.

7. CURRENCY OF THE AUDIT COMMITTEE CHARTER

This charter was last reviewed and approved by the Board on June 29, 2022.