



**ANNUAL INFORMATION FORM
FOR THE FISCAL YEAR ENDED APRIL 30, 2024**

JULY 24, 2024

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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:

- 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;
- all of the issued and outstanding shares of Tecsyst Europe Limited, a corporation incorporated under the laws of England;
- 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;
- all of the issued and outstanding securities of Tecsyst Denmark Holding ApS, a company incorporated under the laws of Denmark which owns all of the issued and outstanding shares of Tecsyst A/S ("**Tecsyst 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 and competitive advantage. Tecsys caters to multiple complex, regulated and high-volume distribution industries. The Company's dynamic and powerful solutions include enterprise resource planning, warehouse management, distribution and transportation management, supply management at point of use, order management and fulfillment, financial management and analytics.

Customers running on Tecsys' supply chain platform have confidence they can execute with consistency, regardless of business fluctuations or changes in technology. As their businesses grow more complex, organizations operating on a Tecsys platform can adapt and scale to business needs or size, enabling them to expand and collaborate with customers, suppliers and partners as one borderless enterprise. The platform allows organizations to transform their supply chains for agility and performance at the speed that their growth requires. From demand planning to demand fulfillment, Tecsys puts power into the hands of both front-line workers and back-office planners, enabling business leaders to establish sustainable and scalable logistics so they can 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, and 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. It 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.

Tecsys continues to develop its international presence. Located in Copenhagen, Denmark, Tecsys A/S serves as a key European extension, and continues to add customers in the manufacturing, retail and logistics industries, primarily in Europe. Tecsys A/S extends brand awareness to the European market and provides a common global corporate identity. Tecsys and Tecsys A/S are well positioned to leverage a common software solution portfolio across geographies and capitalize on opportunities for solution cross-pollination.

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 carries 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.

Tecsys has noted continued growth in the e-commerce fulfillment sector with mounting pressure for distribution organizations to fulfill 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' partnership strategy continued to develop and mature during the financial year ended April 30, 2024 ("Fiscal 2024"). Foundational relationships with key technology partners including Amazon Web Services (AWS), Microsoft Corporation, Oracle 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 service partners such as Avalon Corporate Solutions Corp, Bricz, TraceLink Inc., RiseNow LLC and others where Tecsys and the partners work together on opportunities within the customer base as well as on new client pursuits. Additionally, Tecsys has formed a number of partnerships

to address Supply Chain Automation. These partners include SVT Robotics, Pendant Automation Inc., Locus Robotics Corp and others.

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 greatest opportunity for success 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. Today, Tecsys can bring its decades of supply chain expertise and investment into the healthcare industry through point-of-use, distribution and warehouse management solutions. Long-standing customers include major distributors, a number of health systems or Integrated Delivery Networks (IDNs), and third-party logistics providers (3PLs) in Canada and the United States.

Today's healthcare supply chain is complex and costly. 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 inventory 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, together with sustained challenges in the labor market, has created greater market awareness of supply chain technology that enables a higher degree of operational responsiveness and agility. The healthcare distribution market is also being activated by impending regulatory constraints within the pharmacy supply chain (e.g. Drug Supply Chain Security Act or DSCSA), which requires more advanced supply chain traceability functionality.

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 like those offered by Tecsys. Technologies enabling standardization, consolidation and integration within a unified platform are a prerequisite to overcoming the complexity and challenges.

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 those 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 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 Tecsyst has most of its focus: 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.

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 supply chain organizations must extend, scale, and adapt to the size and needs of business. Competition is fierce, and disintermediation continues to introduce new nodes of complexity, 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 traditional supply chains, the cost of labor and warehousing real estate, the changing face of retail and digital commerce, 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.

(B) Development of business during most recent three years

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 Quadrant¹ 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 its 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.

On June 1, 2022, Gartner, Inc. released the 2022 Magic Quadrant² for Warehouse Management Systems, in which Tecsyst was promoted to the "Challengers" quadrant for the first time, having previously held the position of "Visionary" since its first inclusion in 2010. Tecsyst management believes this is market validation of a capable, proven and mature product, with numerous live customers, and an overall solid and well-recognized position in the marketplace. The Gartner Magic Quadrant research methodology provides a graphical vendor comparison of four types of technology providers in fast-growing markets: Leaders, Visionaries, Niche Players and Challengers. Gartner evaluates global WMS vendors based on their

¹ Gartner, Magic Quadrant for Warehouse Management Systems, Simon Tunstall & Dwight Klappich, June 30, 2021

² Gartner, Magic Quadrant for Warehouse Management Systems, Simon Tunstall, Dwight Klappich, Rishabh Narang, Federica Stufano, May 8, 2023

completeness of vision and ability to execute and has recognized 17 WMS suppliers that were included in the 2022 Magic Quadrant for Warehouse Management Systems, one of which is Tecsys.

On October 4, 2022, Tecsys introduced Elite™ Healthcare Receiving, a hospital receiving application that integrates receiving and delivery processes into a health system's supply chain operations. This keystone in Tecsys' end-to-end healthcare supply chain portfolio means that there is no process gap from "dock to doc" (receiving dock to the doctor), connecting historically disconnected operational silos.

On October 25, 2022, Tecsys launched a six-week rapid implementation methodology for Omni™ OMS, taking advantage of out-of-the-box integrations and operational accelerators, including education, training and templated customer/vendor collaboration, in order to provide a shortest-time-to-value implementation for its retail customers.

On January 9, 2023, Tecsys announced that it has achieved Workday Certified Integration status. Through this certification, Tecsys provides customers with a seamless integration that connects Workday Supply Chain Management (SCM) for Healthcare with Elite™ Healthcare Warehouse Management System (WMS).

On January 16, 2023, Shannon Karl joined the company as Chief Marketing Officer. Ms. Karl brings over 25 years of executive marketing experience developing and executing strategic B2B marketing, communications and demand generation plans for enterprise SaaS solutions.

On March 20, 2023, Tecsys launched a new out-of-the-box analytics solution, an industry-first no-code digital twin dashboard and 3D heat map visualization solution that allows end users to visualize and optimize key warehouse operations.

On March 21, 2023, Tecsys announced its fully composable Order Management System (OMS), a headless order management system built with robust APIs and an optimized front end designed to integrate into retailers' existing back-end systems, providing retail customers more flexible implementation capabilities.

On May 8, 2023, Gartner, Inc. released the 2023 Magic Quadrant³ for Warehouse Management Systems in which Tecsys held its position as a Challenger for the second year. Tecsys' "Ability to Execute" and "Completeness of Vision" are the reasons why it was named a Challenger in the Gartner Magic Quadrant. This evaluation marks the 12th consecutive time that Tecsys' Elite™ WMS has been recognized by Gartner.

On August 22, 2023, Tecsys was recognized in 2023 Gartner® Critical Capabilities for Warehouse Management Systems.⁴

On September 12, 2023, Tecsys announced its intention to buy back Shares under a Normal Course Issuer Bid.

On September 18, 2023, Tecsys launched the Tecsys Innovation Lab™, designed to harness the practical potential of state-of-the-art technologies in service of its hundreds of supply chain customers worldwide. It is a research-driven group within Tecsys' Product and Technology Team committed to evaluating cutting-edge technologies to address intricate supply chain challenges.

On October 26, 2023, Tecsys became certified for the Amazon Web Services (AWS) Supply Chain Competency in the Software Offerings: Move, Enable and Plan categories. This designation recognizes Tecsys as the only warehouse management system (WMS) provider to have achieved this status across these three critical categories.

On November 3, 2023, Andrew Kirkwood joined Tecsys' Board of Directors. Kirkwood served as CEO at BluJay Solutions until its successful exit to E2Open in 2021. He has also held key roles at Blue Yonder (formerly JDA Software), RedPrairie and Manhattan Associates.

³ Gartner, Magic Quadrant for Warehouse Management Systems, Simon Tunstall, Dwight Klappich, Rishabh Narang, Federica Stufano, May 8, 2023.

⁴ Gartner, Critical Capabilities for Warehouse Management Systems, Simon Tunstall, Dwight Klappich, Rishabh Narang, Federica Stufano, July 27, 2023.

On November 14, 2023, Tecsys was recognized in the inaugural Nucleus Research WMS Technology Value Matrix for 2023, where it was positioned in the “Expert” quadrant. According to the technology research and advisory firm, Tecsys distinguishes itself from competitors due to its advanced capabilities, deep functionality, and Distribution and Healthcare-specific industry expertise.⁵

On November 27, 2023, Tecsys announced Elite™ WMS for Healthcare Distribution, a warehouse management system with embedded serialized DSCSA support designed for efficient and continuous compliance with DSCSA regulations as outlined by the U.S. Food and Drug Administration (FDA).

On April 2, 2024, Tecsys was named a Major Player in the IDC MarketScape: Worldwide Warehouse Management 2024 Vendor Assessment. This inaugural IDC MarketScape assessment evaluated ten WMS vendors, positioning them in one of four categories based on their strategies and capabilities.⁶

(C) Significant Acquisitions

Tecsys did not complete any acquisitions during Fiscal 2024.

3. DESCRIPTION OF THE BUSINESS

The supply chain execution market, in which Tecsys is a player, is diverse. 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 management.

The Company is focused on specific vertical markets. The strategy transformed the Company into an organization focused on specific vertical markets. It has strengthened its product offerings by going deeper in each vertical and by building what Tecsys’ management believes is unique expertise and specialization 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, medical-surgical and life science products distributors; and
- Healthcare third-party logistics providers.

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.

⁵ Nucleus Research, WMS Technology Value Matrix 2023, Charles A. Brennan, November 14, 2023.

⁶ IDC, IDC MarketScape: Worldwide Warehouse Management 2024 Vendor Assessment, Doc #US49948523, Roderick Gaines, March 2024.

Retail:

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

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

Healthcare customers include Advent Health; Intermountain Healthcare; Mayo Foundation for Medical Education and Research; Mercy Health; and Trinity Health Corporation, among others.

Third-party logistics (3PL) customers include Accuristix; Capacity LLC; Delmar International Inc.; LifeScience Logistics LLC; and Rinchem Company Inc., among others.

General and industrial distribution customers include Cardinal Health Specialty Pharmaceutical Services; Humana Inc.; Nissan North America, Inc.; United States Department of Agriculture; and Werner Electric Supply Co., among others.

Retail and consumer brand customers include Columbia Sportswear International; Crunchyroll, LLC; Red Wing Brands of America, Inc.; Sephora SAS; and Ubisoft International, among others.

Approximately 69% and 71% of Tecsys' revenues in the financial year ended April 30, 2023 ("Fiscal 2023") and Fiscal 2024, respectively, were derived from the United States market, approximately 18% and 18% from the Canadian market, approximately 12% and 10% from the European market and the remainder from the rest of the world. Tecsys U.S., a wholly-owned subsidiary of Tecsys, acts as a sales, services and marketing agent for Tecsys in the United States, where a significant portion of Tecsys' revenue is generated.

The Company has five principal sources of revenue:

- Software as a service (SaaS) subscriptions, which represent the right to access our 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; and
- 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 2024, 60% of the Company's recurring revenue was SaaS compared to 53% in Fiscal 2023. Tecsys 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 migrate to SaaS.

In Fiscal 2023 and Fiscal 2024, Tecsys generated \$152.4 million and \$171.2 million in total revenue, respectively. The revenue mix for Fiscal 2023 was: SaaS 25%; maintenance and support 21%; professional services 36%; license 2%; and hardware 16%. The revenue mix for Fiscal 2024 was: SaaS 30%; maintenance and support 20%; professional services 32%; license 1%; and hardware 17%.

Tecsys' products combine best-of-breed supply chain functionalities to provide accurate and synchronized real-time information, enabling users to make rapid, informed decisions. Tecsys' 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. This enables Tecsys to offer a broader set of functionalities and interface to such capabilities as material handling systems and automation 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 the benefits of efficiency and agility.

(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 more quickly, and stay ahead of the competition. Tecsys' ERP is a purpose-built, integrated distribution-focused enterprise resource management software system for mid-market and high-end distribution operations. The software is mature, 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 and Forecasting, Procure-to-Pay, Inventory Management, Order-to-Cash and Financial Accounting.

Warehouse Management

Tecsys' warehouse management system ("WMS") is a feature-rich and 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 ("LTL") 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 software is a powerful end-to-end event tracking and delivery management mobile system for a distribution organization. This software supports 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 DM 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 and Analytics ("BI&A")

Tecsys' business intelligence and analytics are integrated with the rest of Tecsys' solutions, enabling business analysis and reporting on the customer's corporate database, and supporting easy information access and executive decision-making. Tecsys' BI&A includes a full suite of pre-built views of 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&A 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, is tightly integrated with one another, and is adaptable to business needs. The software platform is one of the industry's most dynamic and powerful engines for health systems' supply chain businesses, connecting stakeholders from across the organization in both clinical and non-clinical settings.

Healthcare Supply Chain Management

Healthcare SCM software enables 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. Tecsys' healthcare SCM demand planning application empowers healthcare supply chain organizations to forecast accurately and achieve continuous, just-in-time procurement.

Healthcare Warehouse Management

Tecsys' healthcare WMS leverages the same robust coding DNA as Tecsys' 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, Tecsys' 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 serves as a catalyst for inventory management and visibility across a health system, and provides the software needed to increase standardization among products and processes, track and monitor expiration for uninterrupted patient care, and support other critical clinical support functions.

Healthcare Transportation Management

Tecsys' 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 such as gloves or masks. The software offers features tailored to each logistics role within a health system.

Healthcare Delivery Management

Tecsys' 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. Tecsys' 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

Tecsys' 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 via Radio Frequency Identification ("RFID"). Tecsyst's 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

Tecsyst's pharmacy inventory management system ("**PIMS**") supports 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. Tecsyst's PIMS provides visibility of medication that is 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, Tecsyst's 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 Tecsyst's enterprise BI and analytics, this solution offers business analysis and reporting that provides access to the health system's database to support easy information access and executive decision making. Tecsyst's 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, Tecsyst's BI and analytics offer extensive data extraction capabilities, can analyze data sets of millions of records, and provide data visualization and reporting.

(iii) Omni™ Retail Software

Order Management (marketed as "OrderDynamics®", formerly marketed as Omni™ OMS)

Tecsyst's 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 (marketed as "WMS7" by Tecsyst A/S)

Tecsyst's retail WMS is a software product developed as part of the Tecsyst 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 flexible retail 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 with Tecsyst's retail WMS. This software product provides a constant overview of a customer-owned and third-party fleet. It 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

Tecsyst 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 Tecsyst's 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 provide clarity, solve complexity and optimize a retailer's supply chain operations.

(iv) Streamline™

Streamline™ is a full suite designed for the industrial distribution market. It 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 for 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 that sell to retailers.

(vi) WMS for IBM i

Tecsyst offers another WMS for IBM i. It is 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) Tecsyst Services

Tecsyst complements its product line with services that support, enhance and extend the lifecycle of its software portfolio. These add to the differentiation of Tecsyst solutions in the marketplace and are significant contributors to Tecsyst's revenues and profitability. Tecsyst's service categories include Implementation, Support, Advisory and System Enhancement.

(i) Implementation

Tecsyst 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 needed 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 that 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 Ascent Enterprise Solutions, LLC; Avalon Corporate Solutions Corp; Bricz LLC; Tracelink, Inc.; Longbow Advantage Inc.; RiseNow, LLC; Sedlak Management Consultants Inc.; Sequoia Group, Inc.; SVT Robotics, LLC; valtech_Absolunet, and 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 application, software and hardware support, multi-tiered customer care programs, and other services. Tecsys' support specialists respond via their omni-channel support portal to address incidents that 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 standalone hosting and database administration services and continues to support those legacy accounts.

(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, 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 Interfaces (APIs) 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 that are not considered a standard feature of the Tecsys product line.

(C) Hardware and Third-party Software**(i) Hardware**

Tecsys provides both the software and hardware designed to make businesses a success. Tecsys' hardware expertise is fine-tuned for customers' needs. Hardware revenue includes third-party hardware products and proprietary technology products. While hardware revenue can tend to be uneven, it is a key component of the Company's market offering and thereby supports its recurring revenue business.

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 that allow health systems to track costly products such as medical devices and implants. In addition, Tecsys offers a proprietary 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. This enables Tecsys to offer a broader set of functions to address the unique requirements of customers.

(D) Pricing

Tecsys' subscription sales for SaaS are based on an annual subscription fee which is typically prepaid on a yearly basis. Tecsys' subscription agreements generally 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 using the specific application 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 acknowledges the imperative to effectively mitigate the risks associated with data loss, malware, and malicious attacks, whether arising internally or externally. To address these challenges, Tecsys has implemented a comprehensive information security program that undergoes continuous improvement to stay abreast of emerging threats. Independent checks reveal that Tecsys has not experienced material breaches in cyber security. Tecsys remains committed to monitoring these risks attentively, reinforcing its defenses against cyber threats, and enhancing its security governance processes, policies and controls.

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 the Resupply of Items (Registration No. 2565934), for the Method and System for Providing Visual Instructions to Warehouse Operators (Registration No. 2,723,355), 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), for the System and Method for Tracking Medical Products in a Two Bin Per Medical Products Replenishment System (Registration No. 2682561) and for the System and Method for Systematizing Provisioning of Two Bins Replenishment Systems (Registration No. 2,645,696).

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 partner referrals. As at April 30, 2024, Tecsys employed approximately 100 individuals in sales and marketing.

(i) Direct Sales

The majority of Tecsyst's software sales originate from its direct sales channel. Tecsyst's direct sales force is located in North America and Europe. Tecsyst's sales personnel are focused on the management of existing accounts and sales to new customers. Tecsyst's sales representatives tasked with new customer acquisition have expertise in Supply Chain Management (SCM) in specific vertical markets, namely the healthcare provider space also referred to as Integrated Delivery Networks (IDNs) and complex distribution (wholesale distributors, 3PLs and retail).

In addition to Tecsyst's direct sales channel, Tecsyst 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 Tecsyst direct salesforce.

(G) Production Methods

Tecsyst's suite of supply chain software products is continually expanding as new products are developed and capabilities are added to existing products. Tecsyst's 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.

Tecsyst's 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.

Tecsyst's 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 Tecsyst's SaaS transition, it is significantly investing in a SaaS product architecture and delivery model.

In line with recent developments in Artificial Intelligence, Tecsyst has equipped its development organization to use modern and leading edge AI tools to accelerate the development of new product capabilities.

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

(H) Description of Properties

Tecsyst's 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 July 11, 2023, Tecsyst signed a new twelve-month lease for office premises at 120 East Beaver Creek Road, Office 31E, Richmond Hill, Ontario. The lease became effective on September 1, 2023 and will expire on August 31, 2024. In addition, in Fiscal 2024, Tecsyst entered into a monthly subscription to access a co-working space at 600 Matheson Boulevard W, Mississauga, Ontario.

On November 6, 2023, Tecsyst US signed a twelve-month lease for an office space at 231 South LaSalle Street, suite 2100, Chicago, IL. The lease became effective on January 1, 2024 and will expire on December 31, 2024.

On December 3, 2015, Tecsyst 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.

Tecsyst 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 Tecsyst A/S with 6 months' notice anytime after June 30, 2020 and expires on December 31, 2026.

Tecsyst 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. Tecsyst's 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. Tecsyst offers a full supply chain platform for the industries it serves. 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 Tecsyst's 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 Tecsyst's 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, recently added Pharmacy Management, and Business Intelligence applications. Competitors to Tecsyst 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:

	2024	2023	2022	2021	2020
	\$000'S	\$000'S	\$000'S	\$000'S	\$000'S
EXPENDITURES	33,720	27,745	23,919	20,852	17,315
LESS: TAX CREDITS	(3,777)	(3,418)	(3,362)	(2,299)	(2,041)
LESS: DEFERRED DEVELOPMENT COSTS	(1,012)	(880)	(1,072)	(254)	(575)
AMORTIZATION OF DEFERRED DEVELOPMENT COSTS	583	496	290	269	536
TOTAL	29,514	23,943	19,775	18,568	15,235

Net R&D expenses amounted to \$29.5 million in Fiscal 2024, up \$5.6 million from the previous fiscal year.

The increase was primarily the result of higher personnel costs. The Company recorded \$3.8 million of R&D tax credits and e-business tax credits in Fiscal 2024 in comparison to \$3.4 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 that met the criteria for recognition in that fiscal year. Additionally, the Company deferred \$1.0 million of development costs in Fiscal 2024 in comparison to \$0.9 million in Fiscal 2023. The Company amortized deferred development costs of \$0.6 million in Fiscal 2024 in comparison to \$0.5 million in Fiscal 2023.

(K) Number of Employees

As at April 30, 2024, Tecsys had approximately 723 employees, down from 745 employees at April 30, 2023. As at April 30, 2024, there were approximately 76 employees working for Tecsys U.S., up from 70 employees April 30, 2023.

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 14,840,150 common shares were issued and outstanding and no Class A preferred shares were issued and outstanding as at April 30, 2024.

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 \$0.08 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 \$0.31 per common share (\$4,560,000 in aggregate) in dividends in Fiscal 2024, \$0.29 per common share (\$4,225,000 in aggregate) in dividends in Fiscal 2023, and \$0.27 per common share (\$3,929,000 in aggregate) in dividends during Fiscal 2022.

6. NORMAL COURSE ISSUER BID

On September 12, 2023, the Company announced its Notice of Intention to make a normal course issuer bid ("NCIB") with the Toronto Stock Exchange ("TSX"). Pursuant to the NCIB, during the twelve-month period commencing September 14, 2023 and ending September 13, 2024, the Company intends to purchase up to 500,000 common shares, which represents 3.40% of its 14,694,143 issued and outstanding common shares as of September 1, 2023. Under the NCIB, other than purchases made under block purchase exemptions, the Company may purchase up to 3,572 common shares during any trading day, which represents 25% of 14,288, being the average daily trading volume for the six months ended August 31, 2023. These purchases will be made at the prevailing market price at the time of acquisition, plus brokerage fees, through the facilities of the TSX and/or alternative Canadian trading systems, in accordance with the TSX's applicable policies. All common shares purchased under the NCIB will be cancelled.

During Fiscal 2024, the Company purchased 204,500 of its outstanding common shares for cancellation at an average price of \$34.67 per share. The total cost related to purchasing these shares, including other related costs, was \$7.2 million.

7. MARKET FOR SECURITIES

The common shares of Tecsyst 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, Aequis, 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 2023	27.20	24.68	260,323	425,532
June 2023	28.69	23.75	465,488	891,931
July 2023	31.74	25.98	262,310	627,112
August 2023	29.00	24.92	133,326	412,601
September 2023	30.71	24.31	187,205	496,525
October 2023	28.87	25.61	82,878	265,266
November 2023	34.73	25.46	124,193	287,260
December 2023	34.35	29.85	202,753	498,191
January 2024	36.15	29.20	238,038	399,475
February 2024	36.30	32.31	90,942	220,877
March 2024	40.91	36.11	457,266	606,450
April 2024	40.25	36.50	138,899	260,153

Prior Sales

The Company issued the following unlisted securities during Fiscal 2024.

DATE OF ISSUANCE	SECURITIES	NUMBER OF SECURITIES	PRICE PER SECURITIES
June 29, 2023 ¹	Options	278,026	\$25.48
November 30, 2023 ²	Options	5,848	\$33.52

Notes:

- ¹ On June 29, 2023, the Company granted a total of 278,026 options to purchase common shares at an exercise price of \$25.48 per option pursuant to the Company's stock option plan.
- ² On November 30, 2023, the Company granted a total of 5,848 options to purchase common shares at an exercise price of \$33.52 per option pursuant to the Company's stock option plan.

8. OFFICERS & DIRECTORS

The following table sets forth, as of April 30, 2024, 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 TECSYS	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	1,916,140
Peter Brereton ⁽²⁾ Québec, Canada	President, Chief Executive Officer and Director	President and Chief Executive Officer, Tecsyst	September 17, 1997	395,889
Mark J. Bentler ⁽³⁾ Québec, Canada	Chief Financial Officer and Secretary	Chief Financial Officer, Tecsyst	September 17, 2018	7,191
Vernon Lobo ⁽⁴⁾⁽⁶⁾⁽⁷⁾ Ontario, Canada	Lead Independent Director	Managing Director, Mosaic Venture Partners Inc. (private venture capital firm)	October 17, 2006	149,327
Steve Sasser ⁽⁴⁾⁽⁵⁾ Texas, USA	Director	Co-Founder and Managing Principal, Swordstone Partners (consulting and software company)	April 29, 2009	59,927
David Booth ⁽⁵⁾⁽⁶⁾ Virginia, USA	Director	Investor, BackOffice Associates LLC	September 8, 2016	27,427
Andrew Kirkwood ⁽⁴⁾⁽⁶⁾⁽⁸⁾ Wokingham, UK	Director	Chairman of XTM International Ltd, consultant at AEK Ventures Ltd	November 3, 2023	-
Kathleen Miller ⁽⁵⁾⁽⁹⁾ Florida, USA	Director	Corporate Director	September 10, 2020	3,000

- ¹ David Brereton, directly and through his holding company, Dabre Inc., and his spouse, Kathryn Ensign-Brereton, hold respectively 917,038 and 999,102 common shares, which represent respectively 6.18% and 6.73% 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 315,730 and 80,159 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.
- 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 Independent Director. Vernon Lobo and his spouse, Ingrid Lobo, hold respectively 67,327 and 82,000 common shares. Vernon Lobo disclaims beneficial ownership and control or direction over the common shares held by Ingrid Lobo
- ⁸ Andrew Kirkwood is currently the Chair of XTM International Ltd., a leading provider of translation management software. Mr. Kirkwood was previously Chief Executive Officer at BluJay Solutions from 2019 to 2021.
- ⁹ 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 27, 2024, the directors and executive officers of Tecsys, as a group, beneficially own, directly or indirectly, or exercise control or direction over, 9.44% 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

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 or her 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, retired certified public accountant and has earned a CERT Certificate in Cybersecurity Oversight. 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, Interim Board Chair and Audit Chair for VTI Technologies (ASX:VTI), and Non-Executive Director for TeamFront. 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 2024 and Fiscal 2023, respectively, for services provided:

	FISCAL 2024	FISCAL 2023
AUDIT FEES	373,002	347,750
AUDIT-RELATED FEES	86,259	82,875
TAX FEES	180,021	134,298
TOTAL	639,282	564,923

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 \$39,200 for services related to the 2024 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 Tecsyst's 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.

9. LEGAL PROCEEDINGS

Neither the Company or its properties was, during Fiscal 2024, 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.

10. TRANSFER AGENT AND REGISTRAR

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

11. INTEREST OF EXPERTS

The Company's auditors are KPMG LLP. They issued an independent auditors' report dated June 27, 2024, in respect of the Company's consolidated financial statements with accompanying notes for Fiscal 2024 and have advised that they are independent of the Company in accordance with the ethical requirements that are relevant to the 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 Tecsyst A/S and Tecsyst Denmark Holding ApS.

12. 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 Tecsyst or Management, are intended to identify forward-looking statements. Such statements reflect Tecsyst's current views with respect to future events, are based on information currently available to Tecsyst 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) the Company's management and employees; (iv) capital investment by the Company's customers; (v) customer project implementations; (vi) liquidity; (vii) current global financial and geopolitical conditions; (viii) implementation of the Company's commercial strategic plan; (ix) credit; (x) potential product liabilities and other lawsuits to which the Company may be subject; (xi) additional financing and dilution; (xii) market liquidity of the Company's 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 and (xx) cyber security.

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 to Fiscal 2024. 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, 2024, the Company had retained earnings of \$8.1 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 events that are outside of its control, such as pandemics and public health emergencies, or natural disasters including earthquakes, typhoons, floods and fires. In addition, the Company's global operations are susceptible to global events, including geopolitical crisis or other international conflicts, political instability, acts or threats of war and terrorism. Any such events can result in business interruptions and can have an adverse effect on its business results and financial condition.

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

The Company's business is influenced by general economic and business conditions that are beyond its control and that we have no comparative advantage in forecasting. Global macroeconomic developments could negatively affect its business, operating results, financial condition and outlook, which, in turn, could adversely affect its 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 its 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.

The Company relies significantly on recurring revenue, and if recurring revenue declines or contracts are not renewed, its future results of operations could be harmed.

The Company relies significantly on recurring revenue, and if recurring revenue declines or contracts are not renewed, its future results of operations could be harmed. In order for us to improve its operating results, it's important that its customers renew their agreements with us when their subscription terms expire. The Company's customers have no obligation to renew their SaaS subscriptions after a subscription term and there is no assurance that its customers will renew their subscriptions at the same or higher levels of service, or at all. Sales of new or recurring subscriptions and software-related support service contracts and renewals after the contractual term expires may decline or fluctuate as a result of a number of factors including the following:

- The end customers' level of satisfaction with the Company's software solutions;
- The price, performance and functionality of its software solutions;
- The availability, price, performance and functionality of products and services offered by its competitors; or
- Changes in customers' operations including reductions in their overall spending levels.

Fluctuations in quarterly results may fail to meet the expectations of investors or security analysts 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 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 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, Tecsyst is well aware of the need to manage the risks of data loss, malware and malicious attacks, whether originating internally or externally. Tecsyst has implemented a continuously- evolving security program to keep pace with these threats. Independent checks reveal that Tecsyst has not experienced material breaches in cyber security. Tecsyst 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 Tecsyst's 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, as well as its ability to anticipate industry standards. 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.

13. 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 2024.

Additional financial information is provided in Tecsyst's comparative financial statements and management's discussion and analysis for Fiscal 2024 contained in Tecsyst's 2024 Annual Report.

Additional information relating to Tecsyst may also be found on SEDAR+ at www.sedarplus.ca.

For further information, please contact:

Tecsyst Inc.
Investor Relations
1 Place Alexis Nihon Suite 800
Montréal, Québec, Canada H3Z 3B8 Tel : (514) 866-0001
E-mail: investor@tecsyst.com
Website: www.tecsyst.com

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.

c) **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.
- d) **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 27, 2024.