



# NOTICE OF ANNUAL MEETING AND MANAGEMENT PROXY CIRCULAR

Financial year ended on November 30<sup>th</sup>, 2017

OUR ANNUAL MEETING OF SHAREHOLDERS WILL BE HELD AT 10:30 A.M. ON THURSDAY, APRIL 5, 2018 AT THE OMNI MONT-ROYAL HOTEL, SALON ÉTÉ, LOCATED AT 1050 SHERBROOKE STREET WEST, MONTREAL, QUEBEC.

AS SHAREHOLDER OF RICHELIEU HARDWARE LTD., YOU HAVE THE RIGHT TO VOTE YOUR SHARES, EITHER BY PROXY OR IN PERSON AT THE MEETING. THIS DOCUMENT TELLS YOU WHO CAN VOTE, WHAT YOU WILL BE VOTING ON AND HOW TO EXERCISE YOUR RIGHT TO VOTE YOUR SHARES.

**RICHELIEU HARDWARE LTD.**  
March 8, 2018

## Table of contents

<b>NOTICE OF ANNUAL MEETING OF SHAREHOLDERS</b>	3
<b>MANAGEMENT PROXY CIRCULAR</b>	4
Solicitation of Proxies	4
Nomination of Proxyholders	4
Revocation of Proxies	4
Exercise of Voting Rights Attached to Shares Represented by Proxy in Favour of Management	4
Voting Shares and Principal Holders Thereof	4
Notice to Shareholders Holding their Shares through a Broker or another Intermediary	4
Information about Nominees Proposed for Election as Directors	5
Board Diversity	7
Public Board Memberships	7
Interlocking Directorships	7
Independence of Directors	7
<b>DIRECTORS' COMPENSATION</b>	8
Directors' Compensation Policy	8
Deferred Share Unit Plan	8
Minimum Shareholding Guidelines	8
Share Option Plan	8
Compensation Paid to Directors for the Fiscal Year Ended November 30, 2017	8
Outstanding Option-based Awards and Share-based Awards	9
Incentive Plan Awards – Value Vested or Earned during the Fiscal Year	10
<b>CORPORATE GOVERNANCE</b>	10
<b>AUDIT COMMITTEE INFORMATION</b>	10
<b>EXECUTIVES' COMPENSATION</b>	10
Compensation Analysis	10
Role and Responsibilities of the Human Resources and Corporate Governance Committee	10
Conflicts of Interests	11
Information Sources	11
Executive Compensation Principles	11
Comparative Group	11
Components of Compensation	12
Determination and Description of Compensation Components	12
Base Salary	12
Annual Short-term Incentive Plan	13
Long-term Incentive Plans	13
Retirement allowance for the President and Chief Executive Officer	14
Performance Graph	14
NEOs' Compensation – Summary Compensation Table	14
Incentive Plan Awards	15
Outstanding Option-based Awards	15
Incentive Plan Awards – Value Vested or Earned during the Fiscal Year	16
Benefits in the Case of Cessation of Service or Change of Control	16
Succession Planning	16
<b>SHARE OPTION PLAN</b>	16
<b>APPOINTMENT AND COMPENSATION OF AUDITORS</b>	17
<b>INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS</b>	17
<b>INSURANCE OF DIRECTORS AND OFFICERS</b>	17

INTEREST OF INFORMED PERSONS AND OTHER PERSONS IN MATERIAL TRANSACTIONS	18
ADDITIONAL INFORMATION	18
APPROVAL OF DIRECTORS	18

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Appendix A: Corporate Governance Disclosure	19
Appendix B: Mandate of the Board of Directors	21
Appendix C: Mandate of the Chair of the Board and of the Chairs of Committees	24



**RICHELIEU HARDWARE LTD.**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**NOTICE IS HEREBY GIVEN** that the Annual Meeting of shareholders (the "Meeting") of **RICHELIEU HARDWARE LTD.** (the "Corporation") will be held at the Omni Mont-Royal Hotel, Salon été, located at 1050 Sherbrooke Street West, Montreal, Province of Quebec, Canada, on Thursday, April 5, 2018 at 10:30 a.m. for the following purposes:

1. receiving the annual report, the consolidated financial statement and the auditors' report thereon for the fiscal year ended November 30, 2017;
2. electing directors;
3. appointing auditors and authorizing the directors to fix their remuneration;
4. to properly transact such other business before the Meeting.

You have the right to receive notice of and to vote at the Meeting if you were a shareholder of the Corporation at **5:00 p.m., Montreal time, on March 1<sup>st</sup>, 2018.**

The following pages provide additional information relating to the matters to be dealt with at the Meeting.

**Any shareholder who expects to be unable to attend the Meeting is urged to complete and sign the enclosed form of proxy and return it in the enclosed envelope provided for that purpose. Moreover, any shareholder having the right to vote at the Meeting can send any questions he/she might have to the Chair of the Board at the following e-mail address: [question@richelieu.com](mailto:question@richelieu.com). Management will be happy to answer all questions submitted at the Meeting, time permitting.**

**To be valid, proxies must be received by Computershare Investors Services Inc., 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario M5J 2Y1, no later than 5:00 p.m., Montreal time, on April 3<sup>rd</sup> 2018. Your shares will be voted in accordance with your instructions as indicated on the proxy.**

Montreal, province of Quebec, this 8<sup>th</sup> day of March 2018.

**BY ORDER OF THE BOARD OF DIRECTORS**

(Signed)

Yannick Godeau,

Corporate Secretary

## MANAGEMENT PROXY CIRCULAR

### Solicitation of Proxies

This Management Proxy Circular (the "Circular") is provided in connection with the solicitation of proxies by the Management of Richelieu Hardware Ltd. (the "Corporation" or "Richelieu") for use at the Annual Meeting of shareholders of the Corporation (the "Meeting") to be held at the place and date indicated in the Notice. Unless otherwise indicated, the information contained herein is given as at February 23, 2018 and all dollar amounts set forth herein are expressed in Canadian dollars.

The solicitation is made primarily by mail, but officers and employees of the Corporation may nonetheless solicit proxies directly by telephone or through other personal solicitations but without additional compensation. The Corporation may also reimburse brokers and other persons who hold shares in their name, or on behalf of nominees, to cover their expenses for the mailing of proxy documents to principals and to obtain their proxy. The cost of solicitation will be borne by the Corporation.

### Nomination of Proxyholders

The persons named in the enclosed form of proxy are directors of the Corporation. **A shareholder has the right to appoint as his representative a person other than those appointed by Management and whose name is indicated for that purpose in the attached form of proxy, to allow that person to attend and act on his behalf at the Meeting.**

To exercise this right, the shareholder must strike out the names of the persons named in the form of proxy and write the name of the person selected by the shareholder in the blank space provided for that purpose. It is not necessary that the person selected be a shareholder of the Corporation. For your vote to be recorded, your proxy must be received by the Secretary of the Corporation prior to the Meeting.

### Revocation of Proxies

A shareholder who signs a form of proxy may revoke the proxy at any time before the Meeting, in any manner authorized by law, including by way of a written instrument executed by him, his attorney duly authorized in writing, or, if the shareholder is a corporation, by an officer or an attorney of such corporation duly authorized. Any such instrument must be filed with the Secretary of the Corporation. The powers of the proxy holders may also be revoked if the shareholder attends the meeting in person, or any adjournment thereof, and so requests.

### Exercise of Voting Rights Attached to Shares Represented by Proxy in Favour of Management

The enclosed form of proxy, when duly executed and transmitted, appoints the persons named therein or any other person named by the shareholder in the manner provided for above, to represent the shareholder with respect to the shares represented by said proxy at the Meeting and the persons named therein will vote or withhold from voting as specified by the shareholder.

**Management shall ensure that all voting rights will be exercised in accordance with the instructions given by the shareholder on any ballot that may be called for. Unless otherwise indicated, the shares represented by such proxy will be voted IN FAVOUR OF all the matters described herein.**

Management is not aware of any new matters or of any amendment or variation of matters to be submitted at the Meeting, nor does it foresee that such possibilities might arise. If, however, any such matters properly come before the Meeting, the persons named in the enclosed form of proxy will vote thereon in accordance with their best judgement pursuant to the discretionary authority conferred by the proxy with respect to such matters.

### Voting Shares and Principal Holders Thereof

The common shares are the only securities in the share capital of the Corporation which carry voting rights (the "Shares").

As of January 31, 2018, the Corporation had 57,842,639 outstanding Shares. Each Share of the Corporation entitles its holder to one vote.

The registered holders of Shares at 5:00 p.m., Montreal time, on March 1<sup>st</sup>, 2018 (the "Record Date"), will be entitled to vote at the Meeting and at any adjournment thereof, if present or represented thereat by proxy. The holder of Shares acquired after the Record Date is entitled to exercise the voting rights attached to such shares at the Meeting or at any adjournment thereof by tendering duly endorsed share certificates representing those Shares or by otherwise establishing that he owns the Shares, and by requiring, at least ten days before the Meeting, that his name be placed on the list of shareholders entitled to receive the Notice of Meeting, this list having been drawn up on the Record Date.

To the knowledge of the Corporation's directors and officers, as of February 23, 2018, no person owned, directly or indirectly, more than 10% of the outstanding Shares, except Mawer Investment Management Ltd. for a holding equivalent to approximately 19%.

### Notice to Shareholders Holding their Shares through a Broker or another Intermediary

**Any shareholder of the Corporation whose share certificates are not registered in his name must pay close attention to the information set forth in this Section, to ensure that his instructions as to the exercise of voting rights for this Meeting are transmitted in due time and to the appropriate person. Only proxies tendered by shareholders registered in the share ledger of the Corporation, maintained by Computershare Trust Corporation of Canada (Registrar and Transfer Agent), may be recognized and used at the Meeting.**

If the Corporation's Shares held by a Shareholder appear in an account statement sent by a broker, said Shares are most probably not registered in the name of the shareholder, but in the name of the broker or a nominee thereof. **As a result, any beneficial holder must communicate his voting instructions to the appropriate person and such beneficial holder has less time to do so than a registered holder.**

*Regulation 54-101* respecting Communication with Beneficial Owners of Securities of a Reporting Issuer requires that brokers and other intermediaries request voting instructions from any beneficial holder prior to shareholder meetings. Each broker has his own procedures for sending materials and provides his own guidelines for their return; these instructions are to be followed carefully by the shareholder to ensure that the voting rights attached to his Shares are cast at the Meeting, according to his rights.

If you have questions on how to exercise voting rights attached to Shares held through a broker or other intermediary, please contact the broker or intermediary directly.

**Unless otherwise indicated in this Proxy Circular, the Form of Proxy, and the Notice of Meeting attached hereto, shareholders shall mean registered holders.**

## Information about Nominees Proposed for Election as Directors

The management of the Corporation proposes the election of eight (8) directors for the current year. The directors are elected each year and their term of office expires upon the election of their successor unless they resign or their office becomes vacant because of death, removal, or any other reason.

Should any of the nominees proposed for election as director be unable, for any reason whatsoever, to fulfill his duties as a director, the persons named in the enclosed form of proxy reserve the right to vote for another nominee of their choice unless the shareholder specifies on the form of proxy to abstain from voting for the election of directors.

The Corporation's board of directors (the "Board") has approved a Policy on the Majority Voting for the Election of Directors (the "Policy"), providing that in the event of an uncontested election of directors, any nominee for director who receives more withheld votes than for votes must offer to resign, such resignation taking effect upon its acceptance by the Board of directors.

The Board shall refer the resignation for consideration to the Human Resources and Corporate Governance Committee. The Board shall promptly accept the resignation, unless the Human Resources and Corporate Governance Committee recommends that the Board should refuse such resignation where circumstances justify that such director should continue to sit on the Board. The Board shall make its decision no later than 90 days following the Annual Meeting. If such resignation is accepted, the Board shall appoint a new director in accordance with the By-Laws.

The Corporation offers a diversified board consisting of two women among the group of eight (8) candidates as directors, namely Mrs. Denyse Chicoyne and Mrs. Sylvie Vachon. The Board considers that the composition of the group of candidates it proposes for election as directors, as well as the number of people who make up this group, will enable it to operate effectively and efficiently, in the best interest of the Corporation and its stakeholders.

The following table indicates, for each nominee proposed for election as director, his name, his province of residence, his position within the Corporation, his current principal occupation, the year in which he first became a director, and the committees of the Board on which he serves, as applicable. The table also indicates whether the nominee is independent, the percentage of attendance at meetings for the period of December 1, 2016 to November 30, 2017, the number of voting shares in the share capital of the Corporation beneficially owned, directly or indirectly, or over which control is exercised, and the number of share options and share units held under the Deferred Share Unit ("DSU") Plan.

The nominees have themselves provided the Corporation with the information as of February 23, 2018.

**Unless otherwise indicated by the shareholder, the voting rights attached to the shares represented by any duly executed proxy will be exercised IN FAVOUR OF the election of each of the nominees listed hereafter.**

<b>DENYSE CHICOYNE</b> Quebec, Canada Director since 2005			<b>Corporate Director</b> Mrs. Denyse Chicoyne is a corporate director. From 1991 to 2003, Mrs. Chicoyne held the position of Vice-President and Analyst for the retail industry at BMO Nesbitt Burns/Nesbitt Thompson.
<b>Independent</b>			Mrs. Chicoyne is a director and a member of the Finance and Audit Committee, of the Governance Committee, and of the Regulatory Oversight Committee of the TMX Group and is a director and member of the Investment Committee and Human Resources Committee of Industrielle Alliance since May 2014. Since December 2015, Mrs. Chicoyne further acts as a director, as president of the Audit Committee and as a member of the Risk and Conduct Review Committee of TMX Equity Transfer Services Inc.
	<b>Number</b>	<b>Value</b>	
Stock options :	9,000	\$226,230	
Common shares :	15,000	\$475,950	
DSU :	56,577	\$1,795,188	Ms. Chicoyne complies with the Corporation's minimum Shareholding guidelines.
<i>Attendance</i>			
Board :		100 %	<b>Mrs. Chicoyne is a member of the Human Resources and Corporate Governance Committee.</b>
Human Resources and Corporate Governance Committee:		100 %	Votes received in favor at the 2017 Annual Meeting of Shareholders (%) : 98.60 - Withheld (%) : 1.40
<b>ROBERT COURTEAU</b> Quebec, Canada Director since 2004			<b>President, CM Management Inc.</b> Mr. Robert Courteau currently acts as President of CM Management Inc. Previously, Mr. Courteau acted as President and CEO of SPI Health and Safety Inc. from July 2012 to July 2016. From April 2009 to April 2011, Mr. Courteau was Senior Vice-President of Business Solutions for Fujitsu Canada Inc and from June 2007 to April 2009 and from May 2011 to June 2012, he was President and Chief Executive Officer of CM Management Inc. From February 2005 to June 2007, he was President and Chief Executive Officer of Bell Business Solutions Inc., the same Corporation having bought Technologies Nexxlink Inc. the same Corporation for which he was President and Chief Operating Officer from June 2002 to February 2005.
<b>Independent</b>			Mr. Courteau is a member of the Board of Directors and Chairman of the Audit Committee of the Montreal Heart Institute.
	<b>Number</b>	<b>Value</b>	Mr. Courteau complies with the Corporation's minimum Shareholding guidelines.
Stock options :	—	—	
Common Shares :	3,000	\$95,190	
DSU :	57,444	\$1,822,699	
<i>Attendance</i>			<b>Mr. Courteau is President of the Human Resources and Governance Committee.</b>
Board :		100 %	Votes received in favor at the 2017 Annual Meeting of Shareholders (%) : 96.17 - Withheld (%) : 3.83
Human Resources and Corporate Governance Committee :		100 %	

<b>MATHIEU GAUVIN</b> Quebec, Canada Director since 1993			<b>Senior Vice President - Investments and Private Equity - Quebec, Caisse de dépôt et placement du Québec</b>
<b>Independent</b>	<b>Number</b>	<b>Value</b>	Since February 2018, Mr. Mathieu Gauvin acts as Senior Vice-President, Investments and Private Equity - Quebec of the Caisse de dépôt et placement du Québec. From September 2016 to February 2018, Mr. Gauvin was employed by Richter Advisory Group Inc. as a Vice-President and, since 2011, as a Partner. Previously, from January 2006 to May 2006, Mr. Gauvin was Chief Financial Officer of Europe's Best Inc. From November 1987 to January 2006, he worked for Schroders & Associates Canada Inc. and for its predecessor corporations in senior managerial positions. Mr. Gauvin also acts as a director and Chairman of the Audit Committee of Supremex Inc. and Logistik Unicorp Inc.
Stock options :	—	—	Mr. Gauvin complies with the Corporation's minimum Shareholding guidelines.
Common Shares :	238,092	\$7,554,659	
DSU :	64,584	\$2,049,247	
<i>Attendance</i>			
Board :		100 %	<b>Mr. Gauvin is President of the Audit Committee.</b>
Audit committee :		100 %	Votes received in favor at the 2017 Annual Meeting of Shareholders (%) : 96.54 - Withheld (%) : 3.46
<b>RICHARD LORD</b> Quebec, Canada Director since 1988			<b>President and Chief Executive Officer of the Corporation</b>
<b>Non Independent (Management)</b>	<b>Number</b>	<b>Value</b>	Mr. Richard Lord has been President and Chief Executive Officer of Richelieu Hardware Ltd. since 1988.
Stock options :	576,000	\$8,576,840	Mr. Lord complies with the Corporation's minimum Shareholding guidelines.
Common Shares :	4,173,122	\$132,413,161	
DSU :	—	—	
<i>Attendance</i>			<b>Mr. Lord is a member of the Board.</b>
Board :		100 %	Votes received in favor at the 2017 Annual Meeting of Shareholders (%) : 98.87 - Withheld (%) : 1.13
<b>PIERRE POMERLEAU</b> Quebec, Canada Director since 2016			<b>President and Chief Executive Officer, Pomerleau Inc.</b>
<b>Independent</b>	<b>Number</b>	<b>Value</b>	Since 1997, Mr. Pierre Pomerleau acts as President and Chief Executive Officer of Pomerleau Inc., a leading general contractor with extensive expertise in all facets of the Canadian construction business, from medium to large-scale institutional, industrial, commercial, infrastructure and civil engineering projects. Mr. Pomerleau previously held a variety of progressively senior management roles within the Pomerleau group of companies. Mr. Pomerleau is also a member of the Consultative Boards of Alia Consulting, of Canadian Wood Product (CWP), of the Fondation de Polytechnique as well as of the Board of Trade of Metropolitan Montreal.
Stock options :	6,000	\$18,060	Mr. Pomerleau complies with the Corporation's minimum Shareholding guidelines. <sup>(1)</sup>
Common Shares :	7,500	\$237,975	
DSU :	3,699	\$117,382	
<i>Attendance</i>			<b>Mr. Pomerleau is a member of the Audit Committee.</b>
Board :		75 %	Votes received in favor at the 2017 Annual Meeting of Shareholders (%) : 99.06 - Withheld (%) : 0.94
Audit committee :		75 %	
<b>MARC POULIN</b> Quebec, Canada Director since 2013			<b>Corporate Director</b>
<b>Independent</b>	<b>Number</b>	<b>Value</b>	Mr. Marc Poulin is a corporate director. Previously, Mr. Poulin acted as President and Chief Executive Officer of the Empire Company Limited and President and Chief Operating Officer of Sobeys Inc. from June 2012 to July 2016. From 2001 to June 2012, he was President of Sobeys Quebec from 1997 to 2001 and Vice-President merchandising for the Oshawa Group and, after its acquisition, for Sobeys.
Stock options :	15,000	\$193,950	Mr. Poulin is a member of the board of directors of the Montreal Heart Institute Foundation.
Common Shares :	6,000	\$190,380	Mr. Poulin complies with the Corporation's minimum Shareholding guidelines.
DSU :	13,658	\$433,367	
<i>Attendance</i>			<b>Mr. Poulin is a member of the Audit Committee.</b>
Board :		100 %	Votes received in favor at the 2017 Annual Meeting of Shareholders (%) : 99.44 - Withheld (%) : 0.56
Audit committee :		100 %	
<b>JOCELYN PROTEAU</b> Quebec, Canada Director since 2005			<b>Corporate Director</b>
<b>Independent</b>	<b>Number</b>	<b>Value</b>	Mr. Jocelyn Proteau is a corporate director. From March 1989 to June 2001, he was Chair of the Board and Chief Executive Officer of Fédération des caisses populaires Desjardins de Montréal et de l'Ouest-du-Québec. He was also Chair of the Board of Standard Life of Canada from 2004 to 2009. He was lead director, member of the Corporate Governance and Nominating Committee, and member of the Compensation Committee of Technologies 20-20 Inc., from 2000 to September 2012.
Stock options :	—	—	Mr. Proteau is Chair of the Board and President of the Corporate Governance and Compensation Committee of BTB Real Estate Investment Trust; director and chair of the Audit Committee of CO2 Solutions Inc. as well as director and Vice-Chair of the Board and President of the Governance Committee of the Canadian Public Accountability Board (CPAB).
Common Shares :	3,500	\$111,055	Mr. Proteau complies with the Corporation's minimum Shareholding guidelines.
DSU :	34,008	\$1,079,076	
<i>Attendance</i>			<b>Mr. Proteau is President of the Board.</b>
Board :		100 %	Votes received in favor at the 2017 Annual Meeting of Shareholders (%) : 98.02 - Withheld (%) : 1.98
Audit committee :		100 %	
Human Resources and Corporate Governance Committee :		100 %	

<b>SYLVIE VACHON</b> Quebec, Canada Director since 2015			<b>President and Chief Executive Officer, Montreal Port Authority</b>		
<b>Independent</b>			Mrs. Sylvie Vachon holds the function of President and Chief Executive Officer of the Montreal Port Authority (MPA) since July 2009. Having joined the MPA in 1990 as Head of Human Resources, Mrs. Vachon held various other functions before being promoted CEO.		
	<b>Number</b>	<b>Value</b>	Mrs. Vachon further acts as President of CargoM, the Logistic and Transportation Metropolitan Cluster of Montreal, President of the Board of le Cercle des présidents du Québec, a member of the board of directors, human resources committee and audit committee of Cascades Inc. as well as a member of the boards of directors of the St. Lawrence Economic Development Council (SODES), Alliance Verte and of the Association of Canadian Port Authorities. She is also a governor member of the Quebec Business Council and the Quebec Business Council on the Environment.		
Stock options :	9,000	\$46,500	Mrs. Vachon complies with the Corporation's minimum Shareholding guidelines. <sup>(1)</sup>		
Common Shares :	1,000	\$31,730			
DSU :	3,853	\$122,246			
<i>Attendance</i>					
Board :		100 %	<b>Mrs. Vachon is a member of the Human Resources and Corporate Governance Committee.</b>		
Human Resources and Corporate Governance Committee:s :		100 %	Votes received in favor at the 2017 Annual Meeting of Shareholders (%) : 99.45 - Withheld (%) : 0.55		

1) As set out on page 8 below, directors have five (5) years from the date of their appointment to comply with the minimum shareholding guidelines established by the Board.

To the best knowledge of the Corporation, none of the proposed nominees for election to the Board:

- is, as of the date of this Circular, or has been, within the past ten (10) years, a director, a chief executive officer or a chief financial officer of any corporation that, i) while such person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied such corporation access to any exemptions under Canadian securities legislation for a period of more than thirty (30) consecutive days; or ii) was subject to a cease trade or similar order or an order that denied such company access to any exemptions under Canadian securities legislation for a period of more than thirty (30) consecutive days that was issued after the director or officer ceased to act in that capacity which resulted from an event that occurred while that person was acting in that capacity;
- is, as of the date of this Circular, or has been, within the past ten (10) years, a director or officer of any corporation that, while such person was acting in that capacity, or within a year of that person ceasing to act in that capacity, was declared bankrupt or made a voluntary assignment in bankruptcy, 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
- as of the date of this Circular or within the past ten (10) years, as applicable, i) is or has been declared bankrupt, ii) has made a proposal under any legislation relating to bankruptcy or insolvency, iii) is or has been subject to or instituted any proceedings, arrangement or compromise with creditors, or iv) has or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.
- has been subject to any penalties or sanctions imposed by a court relating to securities legislation or has entered into a settlement agreement with a securities regulatory authority; or
- has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a proposed director.

## BOARD DIVERSITY

Richelieu believes in diversity and values the benefits that diversity can bring to its Board. Diversity promotes the inclusion of different perspectives and ideas, mitigates against group thinking and ensures that Richelieu's Board is provided with the opportunity to benefit from all available talent. The promotion of a diverse Board makes prudent business sense and, we believe, also makes for better corporate governance.

Richelieu further believes that a Board made up of highly qualified directors, issued from diverse backgrounds and who reflect the diverse nature of the business environment in which it operates, the talent available with the required expertise, and Richelieu's evolving customer and employee base, equally promotes better corporate governance practices.

In identifying potential candidates to recommend for appointment/election to the Board, the Human Resources and Corporate Governance Committee shall:

- Only consider candidates who are highly qualified based on their experience, functional expertise, and personal skills and qualities;
- Consider diversity criteria, including, but not limited to, gender, age, business experience and ethnicity;

In addition to its own search, the Human Resources and Corporate Governance Committee may engage qualified, independent external advisors to conduct a search for candidates that meet the Board's skills and diversity criteria to help achieve its diversity aspirations.

Richelieu is committed to a merit based system for Board composition within a diverse and inclusive culture which solicits multiple perspectives and views, and is free of conscious or unconscious bias and discrimination. As such, while assessing Board composition or identifying suitable candidates for appointment or re-election to the Board, Richelieu considers candidates based on merit against objective criteria having due regard to the benefits of diversity and the needs of the Board while also aspiring towards Board composition in which each gender comprises at least one-quarter of all independent directors. It is to be noted that, if re-elected at the Meeting, two (2) of the eight (8) nominees will be women, thereby holding 25% of the seats on the Board, a proportion significantly greater than is characteristic on the boards of most Canadian public issuers.

## PUBLIC BOARD MEMBERSHIPS

Nominees as directors who are directors of another issuer that is a reporting issuer in a Canadian or a foreign jurisdiction are identified above.

## INTERLOCKING DIRECTORSHIPS

No nominee as director currently serves with any other director of the Corporation on the board of another public issuer.



## INDEPENDENCE OF DIRECTORS

Seven of the eight directors of the Corporation, namely Denyse Chicoyne, Sylvie Vachon, Robert Courteau, Mathieu Gauvin, Pierre Pomerleau, Marc Poulin and Jocelyn Proteau are, in the reasonable opinion of the Board, independent under the laws, regulations and listing requirements to which the Corporation is subject. The Board determined that Richard Lord is not independent due to his position as officer of the Corporation. The following table indicates the status of each director in terms of their independence.

Name	Status		Reason for Non-Independence
	Independent	Not Independent	
Denyse Chicoyne	✓		
Sylvie Vachon	✓		
Robert Courteau	✓		
Mathieu Gauvin	✓		
Richard Lord		✓	Mr. Lord is President and CEO of the Corporation.
Pierre Pomerleau	✓		
Marc Poulin	✓		
Jocelyn Proteau	✓		

## DIRECTORS' COMPENSATION

### Directors' Compensation Policy

During fiscal 2017, each independent director received an annual retainer of \$65,000. The Chairman of the Board further received an additional remuneration of \$65,000 while the chairs of the Audit Committee and the Human Resources and Corporate Governance Committee each received an additional remuneration of \$10,000. The annual remuneration of independent directors, including the Chairman of the Board and the chairs of Audit Committee and of the Human Resources and Corporate Governance Committee, is not subject to any further attendance fees, notwithstanding the number of meeting held annually. No retirement plan is available to the directors of the Corporation. At the recommendation of the Human Resources and Corporate Governance Committee and in following an external and independent human resource consulting firm's review of the Corporation's currently applicable Directors' compensation Policy, the Board adopted, on January 19, 2017, a resolution increasing the annual compensation of each director to \$75,000 effective as of December 1, 2017 and increasing the additional compensation payable to the Chairman of the Board to \$75,000, also effective as of December 1, 2017.

### Deferred Share Unit Plan

On July 5, 2005, the Corporation established a Deferred Share Unit ("DSU") Plan to attract and retain experienced and qualified directors. The Human Resources and Corporate Governance Committee, which is responsible for managing the Plan, decided that only independent directors would be eligible for the Plan. Independent directors can elect to receive part or all of their compensation in DSUs. The number of DSUs granted to a director equals the compensation amount to be converted in DSUs divided by the average closing price of the Shares on the Toronto Stock Exchange for the five (5) business days immediately preceding the date of the payment. DSUs earn dividend equivalents in the form of additional DSUs at the same rate as dividends are paid on the Shares. The value of DSUs is redeemable for cash upon the independent director ceasing to be a member of the Board. The amount paid is equal to the number of accumulated DSUs multiplied by the average closing price of the Shares on the Toronto Stock Exchange for the five (5) business days immediately preceding the date on which the independent director elects to exercise his/her rights. The date of exercise of the rights, can be fixed, at the latest, at the end of the first complete calendar year following the year in which such independent director ceases to be a member of the Board. This date of exercise shall be approved by the Human Resources and Corporate Governance Committee of the Corporation. The amount is paid in cash and is subject to applicable tax deductions.

### Minimum Shareholding Guidelines

Following a recommendation of the Human Resources and Corporate Governance Committee, the Board adopted, on January 24, 2013, the following guidelines regarding the share and DSU holding requirements: effective January 24, 2013, each independent directors shall, over a period of five (5) years, accumulate a number of shares and/or DSUs equivalent to three (3) times their base compensation. To that effect, a minimum of 50% of each independent directors' base compensation shall be paid in DSUs until the required holding amount has been attained.

### Share Option Plan

Under the Corporation's Share Option Plan, each new independent director is granted 3 000 options per year up to a maximum of 15,000 options. Notwithstanding the preceding and as per the recommendation of the Human Resources Committee and Corporate Governance Committee, the Board resolved, on January 19, 2017, to terminate said policy once all Directors currently in office shall have been granted their respective maximum of 15,000 options each.

### Compensation Paid to Directors for the Fiscal Year Ended November 30, 2017

The following table presents the compensation paid to each director for services rendered during the fiscal year ended November 30, 2017, differentiating the compensation paid in cash from the compensation converted in DSUs. DSUs are granted on a quarterly basis, at the same rate as meetings are held and vest immediately. During the year ended November 30, 2017, four (4) meetings the Board; four (4) meetings the Audit Committee; and four (4) meetings of the Human Resources and Corporate Governance Committee were held.

Name	Fees Earned					Option-based Awards <sup>(2)</sup>	All other compensation <sup>(3)</sup>	Total Compensation
	Board Retainer	Additional Retainer Paid to the Chair of the Board or Chair of a Committee	Board and Committee Fees	Fees Received in Cash	Fees Received in Share-based Awards DSUs <sup>(1)</sup>			
Denyse Chicoyne	\$65,000	N/A	N/A	—	\$65,000	—	\$12,485	\$77,485
Robert Courteau	\$65,000	\$10,000	N/A	—	\$75,000	—	\$12,636	\$87,636
Mathieu Gauvin	\$65,000	\$10,000	N/A	—	\$75,000	—	\$14,248	\$89,248
Richard Lord	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Pierre Pomerleau	\$65,000	N/A	N/A	—	\$65,000	\$17,790	\$545	\$83,335
Marc Poulin	\$65,000	N/A	N/A	—	\$65,000	\$17,790	\$2,795	\$85,585
Jocelyn Proteau	\$65,000	\$65,000	N/A	\$65,000	\$65,000	—	\$7,383	\$137,383
Sylvie Vachon	\$65,000	N/A	N/A	\$8,125	\$56,875	\$17,790	\$596	\$83,386

1) This amount is equal to the number of DSUs granted at the end of each quarter multiplied by the average of the closing prices for a round lot of the Shares on the Toronto Stock Exchange for the five (5) trading days immediately preceding the date of grant.

2) This amount is equal to the number of options granted on January 19, 2017 multiplied by \$5.93, which corresponds to the fair market value of the options as determined under the Black-Scholes model, an established methodology, using the following assumptions, which are the same assumptions as those used to determine the accounting expense related to the option grants for the purposes of the Corporation's financial statements :

Attribution date:	January 19, 2017
i. Exercise price:	25.71
ii. Risk-free interest rate:	1.86%
iii. Expected life of options:	7
iv. Volatility:	20.0%
v. Dividend yield:	0.90%

3) This amount represents the dividend equivalents reinvested in additional DSUs during the 2017 financial year.

4) Mr. Richard Lord receives no compensation for his duties as director of the Corporation.

### Outstanding Option-based Awards and Share-based Awards

The following table presents, for each director, all options outstanding as of January 31, 2018. The Corporation also grants share-based awards in the form of DSUs on a quarterly basis and DSUs granted vest immediately on the grant date. Accordingly, on November 30, 2017, all DSUs granted were already vested. As of November 30, 2017 and 2016, liabilities attributable to the DSU Plan were \$7,915,000 and \$5,847,000, respectively.

Name	Unexercised Options Held (#)	Market Value of Options <sup>(1)</sup>	Number of Unvested DSUs (#)	Market Value of Unvested DSUs <sup>(2)</sup>
Denyse Chicoyne	9,000	\$226,230	—	—
Robert Courteau	—	—	—	—
Mathieu Gauvin	—	—	—	—
Richard Lord <sup>(3)</sup>	N/A	N/A	N/A	N/A
Pierre Pomerleau	6,000	\$18,060	—	—
Marc Poulin	15,000	\$193,950	—	—
Jocelyn Proteau	—	—	—	—
Sylvie Vachon	9,000	\$46,500	—	—

1) The following table presents a breakdown of all outstanding options granted and their value as of January 31, 2018, based on the difference between the closing price of the Share on the Toronto Stock Exchange (\$31.73) and the exercise price. This value has not been, and may never be, realized. The actual gain, if any, will depend on the value of the Shares on the dates the options are exercised (see "Long-term Incentive Plan – Share Option Plan").

2) DSUs are granted at the end of every quarter and vest immediately on the grant date.

3) Mr. Richard Lord receives no compensation for his duties as director of the Corporation.

Option-based Awards					
Name	Grant Date	Number of Securities Underlying Unexercised Options	Option Exercise Price	Option Expiration Date	Value of Unexercised In The-Money Options
Denyse Chicoyne	July 9, 2008	3,000	\$6.42	July 9, 2018	\$75,930
	March 26, 2009	3,000	\$5.57	March 26, 2019	\$78,480
	July 8, 2010	3,000	\$7.79	July 8, 2020	\$71,820
Robert Courteau	—	—	—	—	—
Mathieu Gauvin	—	—	—	—	—
Richard Lord <sup>(1)</sup>	N/A <sup>(1)</sup>	N/A <sup>(1)</sup>	N/A <sup>(1)</sup>	N/A <sup>(1)</sup>	N/A <sup>(1)</sup>
Pierre Pomerleau	January 19, 2017	3,000	\$25.71	January 19, 2027	\$18,060
	January 25, 2018	3,000	\$32.77	January 25, 2028	—
Marc Poulin	January 29, 2013	3,000	\$12.71	January 29, 2023	\$57,060
	January 23, 2014	3,000	\$14.50	January 23, 2024	\$51,690
	January 22, 2015	3,000	\$18.83	January 22, 2025	\$38,700
	April 7, 2016	3,000	\$22.25	April 7, 2026	\$28,440
	January 19, 2017	3,000	\$25.71	January 19, 2027	\$18,060
Jocelyn Proteau	—	—	—	—	—
Sylvie Vachon	April 7, 2016	3,000	\$22.25	April 7, 2026	\$28,440
	January 19, 2017	3,000	\$25.71	January 19, 2027	\$18,060
	January 25, 2018	3,000	\$32.77	January 25, 2028	—

1) Mr. Richard Lord receives no compensation for his duties as director of the Corporation.

## Incentive Plan Awards – Value Vested or Earned during the Fiscal Year

The following table presents, for each director, the value of options and DSUs that have vested during fiscal year ended November 30, 2017. The value of DSUs is payable in cash only and that when a director ceases to be a member of the Board.

Name	Option-based Awards - Value Vested during the Year (\$) <sup>(1)</sup>	Share-based Awards (DSUs) - Value Vested during the Year (\$) <sup>(2)</sup>
Denyse Chicoyne	—	\$77,485
Robert Courteau	—	\$87,636
Mathieu Gauvin	—	\$89,248
Richard Lord <sup>(3)</sup>	N/A <sup>(3)</sup>	N/A <sup>(3)</sup>
Pierre Pomerleau	—	\$65,545
Marc Poulin	\$31,118	\$67,795
Jocelyn Proteau	—	\$72,383
Sylvie Vachon	\$4,748	\$57,471

1) The options automatically vest at a rate of 25% per year on each of the first four anniversaries of their date of grant.

2) DSUs vest at the end of each quarter when the DSUs are credited to the director's notional account. This amount includes the dividend equivalents reinvested in additional DSUs during the 2017 financial year. The value on the vesting date is therefore equal to the value on the date of grant presented in the Directors Summary Compensation Table.

3) Mr. Richard Lord receives no compensation for his duties as director of the Corporation.

## CORPORATE GOVERNANCE

The Corporation supports and conducts its business in accordance with guidelines for effective corporate governance pursuant to *Policy Statement 58-201* to Corporate Governance Guidelines ("58-201"). Under 58-201, the Corporation must disclose its Corporate Governance Practices. This information is presented in Appendix A of the Circular.

These guidelines address such matters as the constitution and independence of the Board, the functions to be performed by the Board and its committees, and the relationship between the Board, the Corporation's management and its shareholders.

The corporate governance of the Corporation favors the efficient administration of the Corporation by its Management. The Board considers that the corporate governance practices adopted by the Corporation suit its situation and are efficient, and that structures and processes necessary to ensure its independence from Management are in place.

## AUDIT COMMITTEE INFORMATION

The Audit Committee is composed exclusively of "independent" directors as defined in *Regulation 52-110* respecting audit committees. Said directors are Mr. Mathieu Gauvin (Chair), Mr. Pierre Pomerleau and Mr. Marc Poulin. The Chair of the Board acts as ex-officio member of the Audit Committee. The Audit Committee is governed by a Charter adopted by the Board; a complete copy thereof is available on the SEDAR Website ([www.sedar.com](http://www.sedar.com)).

The members of the Audit Committee assume the responsibilities delegated to them in implementing the rules prescribed by the Charter of the Committee. In particular, the Committee is responsible for assisting the Board in fulfilling its duties of overseeing accounting and financial reporting as well as the adequacy and integrity of internal controls and risk management. The Audit Committee is responsible for overseeing the Corporation's financial reporting processes and internal controls. Management of the Corporation assumes the responsibility for preparing and reporting on the Corporation's financial statements, their integrity, as well as the effectiveness of the internal controls and supervision to provide reasonable assurance regarding the reliability of financial reporting. The Audit Committee is also responsible for overseeing the work of the Corporation's external auditors and to ensure their independence and their qualifications.

## EXECUTIVES' COMPENSATION

This section is intended to provide the Corporation's shareholders with a description of the policies, plans, and decisions with respect to the compensation of the named executive officers (collectively the "Named Executive Officers" or "NEOs") for the Corporation's fiscal year ended November 30, 2017. The NEOs include the Corporation's President and Chief Executive Officer, the Vice-President and Chief Financial Officer, and the other three most highly compensated executives, namely the Vice-President, Sales and Marketing - Industrial, the Vice-President – General Manager, US and the General Manager Western Canada and Western U.S.

Although the main purpose of this section is to describe the compensation policies and plans applicable to NEOs, these plans also apply to other Corporation executives. Unless indicated otherwise, the information in this section is effective as of November 30, 2017.

### Compensation Analysis

#### *Role and Responsibilities of the Human Resources and Corporate Governance Committee*

The Human Resources and Corporate Governance Committee is in charge of determining the level of compensation and terms of employment of the executives and of making recommendations to the Board based on the best practices and market trends in terms of compensation, performance, and corporate governance.

As part of its mandate, the Human Resources and Corporate Governance Committee establishes the President and CEO's compensation based on total compensation package, its components, weights, and level of opportunity to ensure the package's competitiveness and alignment with shareholders' interests. The Human Resources and Corporate Governance Committee also assesses the President and CEO's performance. The Human Resources and Corporate Governance Committee's recommendations with regard to the President and CEO's compensation, objectives, and performance assessment are discussed with members of the Board and submitted for approval.

The President and CEO establishes the compensation of the Corporation's executives (components of compensation, guidelines as regards to executives' level of opportunity and weights) to ensure the total compensation package is competitive and aligned with shareholders' interests. He submits the outline of these elements of compensation to the Human Resources and Corporate Governance Committee. The Human Resources and Corporate Governance Committee, where applicable and

on the recommendation of the President and CEO, reviews the market positioning of the Corporation's executive compensation. The President and CEO may recommend changes to the executives' total compensation packages in order to reach the Corporation's objectives. The Human Resources and Corporate Governance Committee submits its recommendations with regard to the employees' total compensation packages to the Board for approval.

At the end of each fiscal year, the annual assessment of the President and CEO is conducted by the Human Resources and Corporate Governance Committee, submitted to the Board, and then discussed in closed session. The Human Resources and Corporate Governance Committee also determines the extent to which the performance objectives set at the beginning of the previous fiscal year have been achieved and, if any, submits to the Board for approval its recommendations with regard to the amount of annual bonus payable to the President and CEO, as well as a salary increase, where applicable. The President and CEO conduct the annual assessment of the other NEOs. According to the achievement of objectives set at the beginning of the year, he determines each executive officer's annual bonus and salary increase, where applicable. The Human Resources and Corporate Governance Committee examines the total annual bonus package suggested by the President and CEO, and the cost of all salary increases. When the Human Resources and Corporate Governance Committee is satisfied that the compensation proposed is fair given the Corporation's performance, it requests the approval of the Board.

Based on the recommendation of the Human Resources and Corporate Governance Committee, at the beginning of each fiscal year, the Board establishes the number of options granted to the President and CEO, and approves, on the recommendation of the President and CEO, the total number of options that are granted to the participants other than the President and CEO during the fiscal year. The Human Resources and Corporate Governance Committee is comprised of three (3) independent directors: Mr. Robert Courteau (Chair), Mrs. Denyse Chicoyne and Mrs. Sylvie Vachon. Mr. Jocelyn Proteau acts as ex-officio member.

No officers of the Corporation are involved in the process of determining executive compensation, except the President and CEO with respect to the compensation of executives who report directly to him. That being said, the Vice-President and CFO, together with the other executives, are involved in the preparation of the financial budgets, which are recommended to the Board for approval and form the basis for the financial performance targets used in determining bonuses. The Vice-President and CFO is also in charge of overseeing the financial, accounting, legal, and regulatory aspects of the Share option plan, including maintaining a record of the options granted, exercised and/or cancelled. Any proposed modifications to the annual incentive plan and the Share option plan are discussed with the President and CEO, and then with the Human Resources and Corporate Governance Committee, who chooses, at its discretion, to recommend its approval by the Board and, when required, by the shareholders.

#### **Conflicts of interest**

No member of the Human Resources and Corporate Governance Committee is or has been indebted to the Corporation or one of its subsidiaries or has, or previously had, an interest in any material transaction involving the Corporation during the fiscal year ended on November 30, 2017. No member of the Human Resources and Corporate Governance Committee is or has been an officer, employee or member of senior management of the Corporation.

#### **Information Sources**

The Human Resources and Corporate Governance Committee retains, as needed, the services of an external compensation consulting firm, for the purpose of obtaining external information and advice on NEO compensation plans.

#### **Executive Compensation Principles**

The compensation of the Corporation's executives is designed to achieve the following primary objectives:

- Attract and develop the loyalty of qualified executives who will define and achieve the Corporation's business strategy.
- Encourage the executives to employ strategies that will improve the Corporation's performance and economic value for its shareholders.

The compensation granted to the Corporation's executives also aims to provide total compensation that is competitive in relation to its comparative group, taking into consideration additional Corporation and executive-specific issues such as the scope of responsibilities, experience and skills for the position, the achievement of financial and operational objectives, as well as each individual's contribution to the success of the Corporation.

Total compensation plans are structured to provide compensation that is above the competitive market median when results exceed the Corporation's business objectives and below market median when results are below target. As a result, a large portion of the Corporation's executive compensation is based on performance given that it is directly related to the Corporation's results and the growth of the Share price.

#### **Comparative Group**

To establish guidelines for compensation levels and to benchmark the total compensation, the Corporation's executive compensation opportunity is compared to the compensation of positions of comparable responsibility in fourteen (14) Canadian corporations operating in the distribution and retail sector, the revenues, total assets and market capitalization of which represent approximately 1/3 to 3 times those of the Corporation.

For executive compensation purposes, Richelieu Hardware's comparative group includes the following fourteen (14) corporations:

Rona inc.	Uni-Sélect Inc.	Leon's Furniture Ltd.	Strongco Corporation	BMTC Group inc.
Wajax Corporation	Brick	Goodfellow inc.	Cervus Equipment Corp.	Canwell Building Materials Groups Ltd.
Groupe Colabor inc.	Rocky Mountain Dealerships	Vicwest inc.	Hardwoods Distribution Inc.	

For consistency and comparison purposes, the comparative group is reviewed annually to ensure that the inclusion criteria and corporations included remain relevant. The Corporation remains of the opinion that the comparative group is relevant and adequate in regards to its business activities.

## Components of Compensation

The following table presents the total executive compensation components, objectives, and progression or award criteria of each applicable plan:

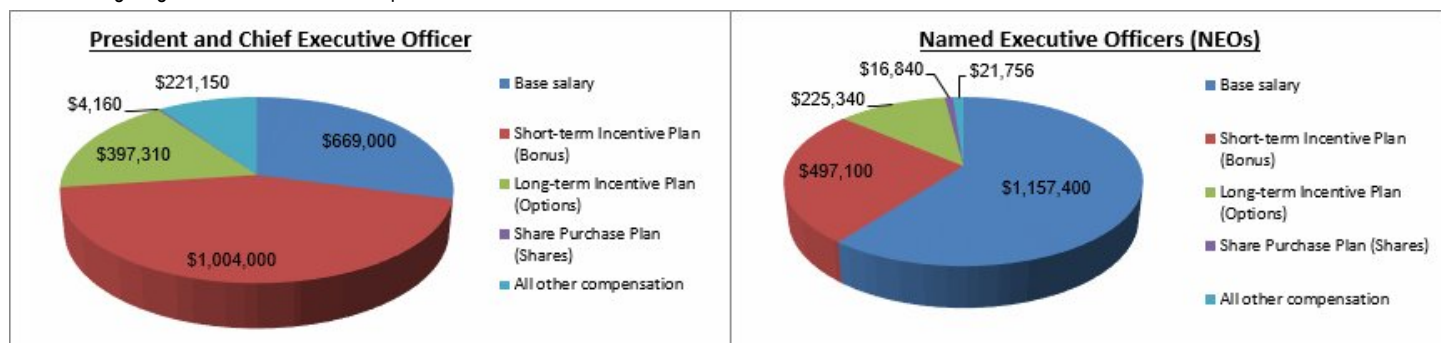
COMPENSATION COMPONENT		DESCRIPTION	CRITERIA	OBJECTIVE	ELIGIBILITY	SHORT TERM	LONG TERM
FIXED	Base salary	Fixed level of compensation	Employee level, experience, personal skills, and contribution	Attract and retain - Recognize the level of responsibility, skills, and contribution to Corporation results	All employees	x	
	Benefits (group insurance)	Suitable insurance against health related complications	Based on the competitive market data for each employee level - Some directly related to the salary	Suitable insurance (health, disability and life)	All employees	x	
	Retirement allowance	Retirement allowance granted starting July 8, 2010	Position, years of service and contribution to Corporation's earnings	Recognition of years of service and retention	President and Chief Executive Officer	x	x
VARIABLE	Opportunity based on the competitive market data for each employee level						
	Annual bonus	Annual bonus based on the achievement of objectives that were established at the beginning of the fiscal year	Payments vary from 0 to 150% of the potential bonus, according to the Corporation's net earnings per Share, diluted ("EPS"), the department or region's results, and personal achievements	Motivate to achieve and surpass the Corporation's financial and operational objectives	Executives and Key employees	x	
	Long-term incentive opportunity						
	Share purchase plan	Opportunity to buy Shares up to a yearly maximum, with a proportional contribution from the Corporation for additional purchases	Personal investment and Share price	Promote shareholding: ✓ Stimulate employee interest in increasing the Share price ✓ Allow capital to accumulate	All employees		x
	Share Option Plan	Annual granting of options to buy Shares at a fixed rate for a 10-year term	Vesting at a rate of 25% per year from the first anniversary of the date of grant - Value based on increase in Share price	Motivate to increase the Share price - Retention via the vesting conditions	Executives and Key employees		x

## Determination and Description of Compensation Components

In order to achieve the objectives described in the above table, the various compensation components are positioned as follows:

- **Base Salary** – The targeted base salary is the median of the comparative group. However, it may be adjusted upward or downward to reflect specific circumstances, such as experience and individual contributions.
- **Benefit Plan** – Benefits are set at market competitive levels.
- **Annual Short-term Incentive Plan ("STIP")** – The maximum bonus is set for each employee level around the median of the comparative group when the Corporation achieves or exceeds business objectives. When results are below target, the bonus is reduced and can go as low as zero when the Corporation's EPS are below the threshold established at the beginning of the fiscal year.
- **Long-term Incentive Plan ("LTIP")** – The number of Shares awarded under the Share purchase plan is linked to the amounts invested by the participants and their vesting is immediate; annual Share option grants are aligned with median long-term incentive grants made by the corporations of the comparative group, and provide for vesting based on the number of years of service subsequent to the grants, in order to align the interests of executives and shareholders. The number of Share options granted annually is subject to the discretion of the Board and may vary according to Corporation results and individual performance.
- **Retirement allowance for the benefit of the President and Chief Executive officer** – A lump sum payment of \$2.76 million for a retirement starting on December 1, 2018.

The following diagrams illustrate all the compensation elements for the President and Chief Executives Officer and for the other NEOs.



## Base Salary

The Human Resources and Corporate Governance Committee, where appropriate, recommends to the Board increases to the President and CEO's base salary, further to examining the Corporation's market positioning and the range of Corporation salary increases. The President and CEO reviews, on an annual basis, the salaries of each executive officer who reports to him and makes adjustments when required, to ensure the compensation remains market competitive and is commensurate with individual performance, the responsibilities of the position, and competency development. The President and CEO then submits his recommendations to the Human Resources and Corporate Governance Committee, where applicable. Individual performance includes, but is not limited to, each executive officer's contribution to the Corporation's success, functional or regional results, leadership, quality of management, and embracing of our corporate values. For the fiscal year ended November 30, 2017, the NEOs' base salaries were increased, on average, by a percentage of 2.0%.

### Annual Short-Term Incentive Plan

The Corporation believes short-term incentive rewards should be paid to executives for their contribution to the Corporation's overall performance and for meeting objectives related to their activity sector, region, duties, business unit, as well as their personal achievements.

The following table presents the maximum annual bonus, the bonus formula, and the performance indicators applicable to each NEO for the fiscal year ended November 30, 2017.

Name and Position Title	Maximum Bonus Opportunity	=	(	EPS	+	Sector or Region Quantitative Objectives	+	Function Quantitative Objectives	+	Individual Quantitative Objectives	)
						(% of base salary)					
<b>RICHARD LORD</b> - President and Chief Executive Officer	150 %	=	(	0 % - 60 %	+	0 % - 40 %	+	0 % - 20 %	+	0 % - 30 %	)
<b>ANTOINE AUCLAIR</b> - Vice-President and Chief Financial Officer	60 %	=	(	0 % - 40 %	+	0 % - 5%	+	0 % - 10 %	+	0 % - 5 %	)
<b>GUY GRENIER</b> - Vice-President, Sales and Marketing - Industrial	60 %	=	(	0 % - 20 %	+	0 % - 4%	+	0 % - 16 %	+	0 % - 20 %	)
<b>CRAIG RATCHFORD</b> - Vice-President - General Manager, U.S.	50 %	=	(	0 % - 9 %	+	0 % - 16 %	+	0 % - 15 %	+	0 % - 10 %	)
<b>JOHN STATTON</b> - General Manager Western Canada and Western U.S	70 %	=	(	0 % - 7 %	+	0 % - 35%	+	0 % - 18 %	+	0 % - 10 %	)

The Sector or Region Quantitative Objectives refer to financial objectives (such as increase of sales, margin, earnings before taxes, interest and amortization) which are determined in the annual business plan approved at the beginning of the Corporation's fiscal year.

The quantitative function objectives refer to the sales or other quantitative objectives under the position's supervision (for example, increase of sales and profits of all or certain products, reduction of expenses, meeting project deadlines, etc.).

Personal quantitative objectives are also approved at the beginning of the year. They usually consist of specific projects to be completed or (financial) targets to be achieved during the year in addition to the position's basic responsibilities and that are aligned with the key priorities of the sector, region, or role.

Objectives for all performance indicators are set at challenging levels to ensure strong growth and increased corporate value. According to the formula, no bonus is payable when the Corporation's EPS is below the threshold established at the start of the fiscal year. During the last four (4) fiscal years, the Corporation paid, on average, 93% of the maximum bonus to its NEO and the percentage ranged from 33% to 100%.

Each year, the Human Resources and Corporate Governance Committee recommends to the Board the payment of the President and CEO's bonus according to the level of attainment of the performance objectives set at the beginning of the previous fiscal year. The Human Resources and Corporate Governance Committee also recommends the President and CEO's performance objectives for the upcoming fiscal year. These recommendations are based on the previous year's performance, the Corporation's business plan and objectives for the coming year, as well as the level of difficulty in achieving them. The Human Resources and Corporate Governance Committee reviews and recommends the approval of objectives submitted by the President and CEO for the NEOs for the upcoming fiscal year. The objectives and their degree of difficulty are determined according to the economic and commercial forecasts available at the time. The Board may adjust, at its discretion, the formula and the bonus amounts according to results and changes to the Corporation's economic and commercial situation.

On January 19, 2017, the Board approved the payment of a bonus of \$1,004,000 to the President and CEO, which represents 150% of his base salary for the fiscal year ended on November 30, 2017. Similarly, the Board also approved a bonus pool of \$5.3 million to be paid to participants in the short-term incentive plan. The President and CEO allocated the bonus pool based on regional or sectoral results as well as individual position and performance.

The Board believes that the bonuses awarded are fair and appropriate considering the exceptional results achieved and the following accomplishments:

- 11.6% increase in consolidated sales;
- 7,5% increase in EPS; and
- Implementation of the main objectives established in the Corporation's strategic plan.

### Long-term Incentive Plans

The Corporation intends to continue to offer the following long-term incentive plans:

- a Share purchase plan; and
- a Share option Plan.

#### Share Purchase Plan

Enable all employees to purchase Shares up to a maximum percentage of their total compensation in cash; the Corporation contributes an amount equal to a percentage of every amount invested by the employee to purchase additional Shares. The Corporation's contribution is determined annually. The Share purchase plan aims to induce participants to increase shareholder value and to favour the accumulation of capital.

#### Share Option Plan

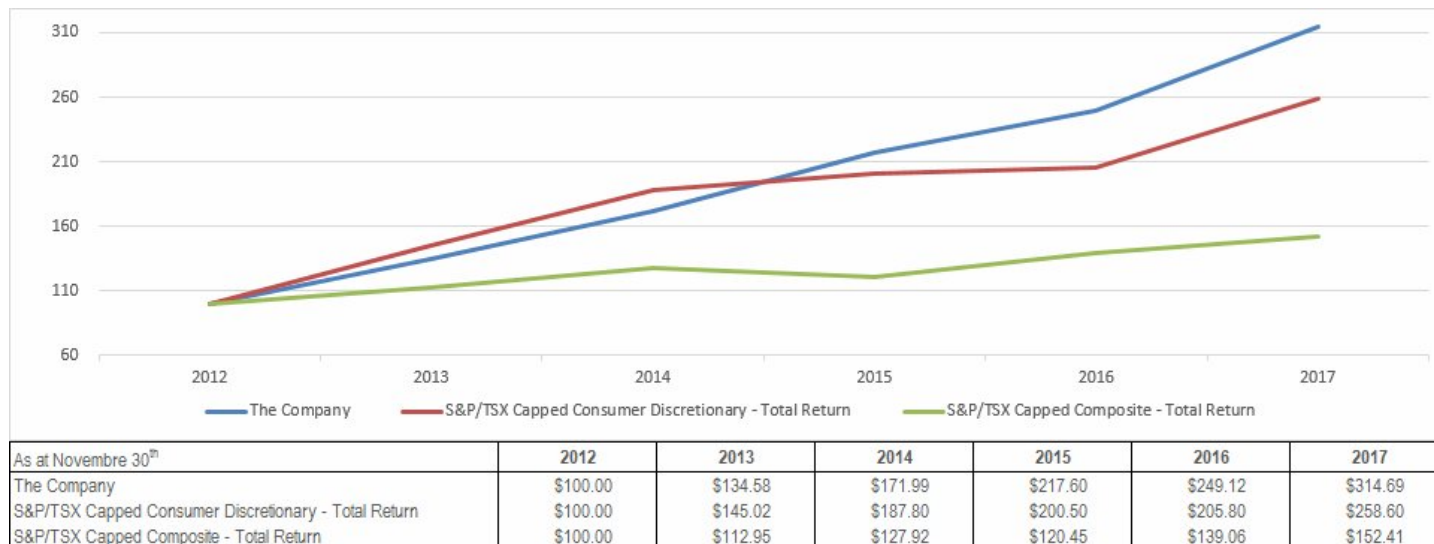
Under the Corporation's share option plan, options to purchase Shares may be granted from time to time to executive officers and other key employees. The terms and conditions of the share option plan meet the objectives to attract and retain quality executive officers while promoting long-term profitability and maximizing shareholder value. The number of options granted by the Committee to each of participants under the share option plan will be determined according to the total number of options authorized in the year by the Board for the President and CEO, and as regards the other grants, according to the President and CEO's recommendations to the Human Resources and Corporate Governance Committee based on all of the following criteria: the nature of the position, the degree of responsibility, the performance, and the number of options having already been granted to this key employee.

### Retirement allowance for the President and Chief Executive Officer

Based on the report produced by an independent external firm with respect to the compensation plans of the President and Chief Executive Officer, the Human Resources and Corporate Governance Committee recommended that the Board proceeds to extend the retirement allowance previously granted to the President and Chief Executive Officer. The Board resolved, on January 19, 2017, to proceed with such an extension as a way to ensure that the overall compensation of the President and Chief Executive Officer remains aligned with reference market practices and continues to encourage him to remain active within the Company. The retirement allowance thus renewed will reach a maximum lump sum of \$ 2.96 million as at December 1, 2019 while providing for a gradual reduction in the number of options that may be granted to the President and Chief Executive Officer under the Share Option Plan. A bank letter of credit was issued to guarantee the lump sum payment of this allowance.

### Performance Graph

The following graph compares the total cumulative shareholder return of \$100 invested in the Shares with the cumulative return on the Toronto Stock Exchange Composite Index during the five (5) fiscal years ending November 30, 2017 (i.e., from December 1, 2012 to the end of the fiscal year ended November 30, 2017).



During the past five (5) years, the total cumulative return on an investment in Richelieu's Shares is, generally speaking, parallel to the S&P/TSX Capped Consumer Discretionary and Composite Indexes. On the whole, the compensation granted to Richelieu's NEOs evolved in parallel with the return on investment in Richelieu's Shares. On average, the salary increases were consistent with average salary increases in the market, and, in some cases, reflected additional responsibilities. In 2015, 2016 and 2017, bonuses totalling \$1.428 million, \$1.596 million and \$1.501, respectively, were granted to the NEO for achieving the objectives and the expected financial results set out at the beginning of the year.

### NEOs' Compensation – Summary Compensation Table

The following table indicates the compensation of the President and CEO, Vice-President and CFO and of the three most highly compensated executives of the Corporation for the fiscal years ended November 30, 2017, 2016, and 2015.

Name	Year	Salary (\$)	Share-based awards <sup>(1)</sup>	Option-based awards (\$) <sup>(2)</sup>	Non-equity incentive plan compensation (annual performance bonus) <sup>(3)</sup>	All other compensation (\$) <sup>(4)</sup>	Total compensation (\$)
<b>RICHARD LORD -</b> President and Chief Executive Officer	2017	\$669,000	\$4,160	\$397,310	\$1,004,000	\$221,150	\$2,295,620
	2016	\$656,000	\$4,160	\$314,250	\$984,000	\$101,150	\$2,059,560
	2015	\$640,000	\$4,160	\$310,500	\$960,000	\$101,150	\$2,015,810
<b>ANTOINE AUCLAIR -</b> Vice-President and Chief Financial Officer	2017	\$314,000	\$5,580	\$88,950	\$175,000	\$3,428	\$586,958
	2016	\$308,000	\$4,160	\$62,850	\$184,000	\$3,397	\$562,407
	2015	\$300,000	\$4,020	\$62,100	\$178,000	\$3,817	\$547,937
<b>GUY GRENIER -</b> Vice-President, Sales and Marketing- Industrial	2017	\$322,000	\$5,200	\$88,950	\$150,000	\$3,428	\$569,578
	2016	\$316,000	\$5,200	\$62,850	\$185,000	\$3,397	\$572,447
	2015	\$308,000	\$5,200	\$62,100	\$175,000	\$3,817	\$554,117
<b>CRAIG RATCHFORD -</b> Vice-President -General Manager, U.S. <sup>(5)</sup>	2017	\$312,400	\$1,900	\$29,650	\$52,100	\$14,900	\$410,950
	2016	\$305,200	—	—	—	—	\$305,200
	2015	—	—	—	—	—	—
<b>JOHN STATTON -</b> General Manager Western Canada and Western U.S.	2017	\$209,000	\$4,160	\$17,790	\$120,000	—	\$350,950
	2016	\$205,000	\$4,160	\$16,760	\$140,760	—	\$366,680
	2015	\$200,000	\$4,160	\$12,420	\$115,000	—	\$331,580

1. The amounts represent the value of Corporation contributions toward the purchase of Shares over and above Shares purchased by the NEO under the Corporation's Share Purchase Plan (see "Long-term Incentive Plan - Share Purchase Plan").

2. This amount is equal to the number of options granted on January 19, 2017 multiplied by \$5.93, which corresponds to the fair market value of the options as determined under the Black-Scholes model, an established methodology, using the following assumptions, which are the same assumptions as those used to determine the accounting expense related to the option grants for the purposes of the Corporation's financial statements :

Attribution date:	January 19, 2017
i. Exercise price:	25.71
ii. Risk-free interest rate:	1.9%
iii. Expected life of options:	7
iv. Volatility:	20.0%
v. Dividend yield:	0.90%

3. See "Annual Short-term Incentive Plan"
4. The amounts represent the value of premiums paid by the Corporation for the group insurance plan to which is added, for Mr. Richard Lord, the portion of his retirement allowance for 2017. Indirect benefits and other personal benefits which, in the aggregate, do not exceed the lesser of the following amounts: (i) \$50,000 and (ii) ten percent of the NEO's total annual salary for the fiscal year, are not included in the column entitled "All Other Compensation".
5. All amounts represented in Canadian dollars although paid in United States dollars. Average conversion rates of 1.30 for 2017 and 1.33 for 2016.

## Incentive Plan Awards

### Outstanding Option-based Awards

Name	Option-based Awards				
	Grant Date	Number of Securities Underlying Unexercised Options	Option Exercise Price	Option Expiration Date	Value of Unexercised In the Money Options (1)
<b>RICHARD LORD -</b> President and Chief Executive Officer	January 22, 2009	150,000	\$5.81	January 22, 2019	\$3,888,000
	January 29, 2013	75,000	\$12.71	January 29, 2023	\$1,426,500
	March 14, 2014	75,000	\$15.99	March 14, 2024	\$1,180,500
	January 22, 2015	75,000	\$18.83	January 22, 2025	\$967,500
	April 7, 2016	75,000	\$22.25	April 7, 2026	\$711,000
	January 19, 2017	67,000	\$25.71	January 19, 2027	\$403,340
	January 25, 2018	59,000	\$32.77	January 25, 2028	—
<b>ANTOINE AUCLAIR -</b> Vice-President and Chief Financial Officer	January 26, 2012	45,000	\$9.14	January 26, 2022	\$1,016,550
	January 29, 2013	30,000	\$12.71	January 29, 2023	\$570,600
	January 23, 2014	30,000	\$14.50	January 23, 2024	\$516,900
	January 22, 2015	15,000	\$18.83	January 22, 2025	\$193,500
	April 7, 2016	15,000	\$22.25	April 7, 2026	\$142,200
	January 19, 2017	15,000	\$25.71	January 19, 2027	\$90,300
	January 25, 2018	15,000	\$32.77	January 25, 2028	—
<b>GUY GRENIER -</b> Vice-President, Sales and Marketing – Industrial	January 22, 2009	15,000	\$5.81	January 22, 2019	\$388,800
	March 31, 2011	6,000	\$10.15	March 31, 2021	\$129,480
	January 26, 2012	3,000	\$9.14	January 26, 2022	\$67,770
	January 29, 2013	9,000	\$12.71	January 29, 2023	\$171,180
	January 23, 2014	6,000	\$14.50	January 23, 2024	\$103,380
	January 22, 2015	15,000	\$18.83	January 22, 2025	\$193,500
	April 7, 2016	15,000	\$22.25	April 7, 2026	\$142,200
	January 19, 2017	15,000	\$25.71	January 19, 2027	\$90,300
<b>CRAIG RATCHFORD -</b> Vice-President - General Manager, U.S.	September 12, 2016	5,000	\$26.29	September 12, 2026	\$27,200
	January 19, 2017	5,000	\$25.71	January 19, 2027	\$30,100
	January 25, 2018	5,000	\$32.77	January 25, 2028	—
<b>JOHN STATTON -</b> General Manager, Western Canada and Western U.S.	January 22, 2009	1,500	\$5.81	January 22, 2019	\$38,880
	March 3, 2011	3,000	\$10.15	March 31, 2021	\$64,740
	January 26, 2012	3,000	\$9.14	January 26, 2022	\$67,770
	January 29, 2013	9,000	\$12.71	January 29, 2023	\$171,180
	January 23, 2014	1,500	\$14.50	January 23, 2024	\$25,845
	January 22, 2015	3,000	\$18.83	January 22, 2025	\$38,700
	April 7, 2016	4,000	\$22.25	April 7, 2026	\$37,920
	January 19, 2017	3,000	\$25.71	January 19, 2027	\$18,060
	January 25, 2018	3,000	\$32.77	January 25, 2028	—

- 1) This value corresponds to the number of options held by the NEO multiplied by the difference between the closing price of the Shares on the Toronto Stock Exchange on January 31, 2018 (\$31.73) and the exercise price. This value has not been, and may never be, realized. The actual gain, if any, will depend on the value of Shares on the dates the options are exercised (see "Long-term Incentive Plan (Options)").



### **Incentive Plan Awards – Value Vested or Earned During the Fiscal Year**

The following table presents, for each NEO, the value of options that have become vested during fiscal year 2017 and the amount of bonus earned with respect to the performance achieved during fiscal year 2017.

<b>Name</b>	<b>Option-based Awards – Value Vested During the Year <sup>(1)</sup> (\$)</b>	<b>Share-based Awards – Value Vested During the Year (\$)</b>	<b>Non-equity Incentive Plan Compensation – Value Earned During the Year <sup>(2)</sup> (\$)</b>
<b>RICHARD LORD -</b> President and Chief Executive Officer	\$748,031	\$4,160	\$1,004,000
<b>ANTOINE AUCLAIR -</b> Vice-President and Chief Financial Officer	\$260,175	\$5,580	\$175,000
<b>GUY GRENIER -</b> Vice-President, Sales and Marketing – Industrial	\$104,415	\$5,200	\$150,000
<b>CRAIG RATCHFORD -</b> Vice-President - General Manager, U.S.	\$6,263	\$1,900	\$52,100
<b>JOHN STATTON -</b> General Manager, Western Canada and Western U.S.	\$51,191	\$4,160	\$120,000

1) The options automatically vest at a rate of 25% per year on each of the first four anniversaries of their date of grant. This value corresponds to the number of options vested multiplied by the difference between the closing price of the Shares on the Toronto Stock Exchange as of the vesting date, and their exercise price. This value has not been, and may never be, realized. The actual gain, if any, will depend on the value of Shares on the dates the options are exercised (see "Long-term Incentive Plan (Options)").

2) This amount corresponds to the amount set forth in the "NEOs' Compensation – Summary Compensation Table."

### **Benefits in the Case of Cessation of Service or Change of Control**

There is no contract, arrangement, or any other understanding with respect to employment, termination of employment, a change of control, or a change in responsibilities following a change of control, between the Corporation and any of the Corporation's executive officers.

### **Succession Planning**

The Corporation considers the succession planning of its upper management as a fundamental element. The succession planning for the President and Chief Executive Officer, as well as for other senior executives is reviewed annually by the Human Resources and Corporate Governance Committee, which ensures to monitor and make appropriate recommendations to the Board. The succession plans for senior management, including the President and Chief Executive Officer, are presented to, and reviewed by, the Board annually.

Succession plans include, without limitations: an emergency plan in case of unforeseen circumstances, the identification of potential candidates, a succession planning on an ongoing basis and integrated adjustments to succession plans where necessary, as well as setting up and monitoring individual and organizational development programs as well as regular succession planning process reviews and talent management.

### **SHARE OPTION PLAN**

Richelieu's new option plan, which was approved by the Board on January 21, 2016 and ratified by the Corporation's shareholders on April 7<sup>th</sup>, 2016 (the "Plan"), is intended to provide key employees and officers (each, a "Participant") with an opportunity to actively participate in the Corporation's growth, to encourage them to establish, maintain and abide by good management practices, to protect the Corporation's general business interests, to provide additional incentives to remain at the Corporation's services and to ensure that the Corporation has all required tools to continue to attract the best candidates available on the market.

Under the Plan, the Board may, from time to time and following a recommendation from the Human Resources and Corporate Governance Committee, designate Participants to whom options may be granted, determine the number of options to be granted to each such Participant and/or determine each such option's applicable vesting term and conditions, provided however that:

- notwithstanding any provision to the contrary, the total number of options issued to a director of the Corporation (with the exception of the President and Chief Executive Officer, even if he or she also acts as director) under the Plan may not exceed an annual maximum limit of \$100,000 in options per director, each director who is not an employee may not be granted during his or her term of office more than 15,000 Options, and provided that all the directors who are not employees may not be granted more than one percent (1%) of all options under the Plan, after deducting the total number of options or other securities granted pursuant to any other share compensation arrangements of the Corporation;
- the total number of options which may be granted to insiders, or associates of such insiders, pursuant to the Plan may not exceed seven percent (7%) of the number of common shares in the outstanding issue at any time during a period of twelve (12) months, after deducting all options and other securities granted to insiders pursuant to other share compensation arrangements of the Corporation;
- during a year, the total number of options which may be granted to Participants under the Plan may not exceed one point eight percent (1.8%) of the outstanding issue, after deducting all options and other securities granted pursuant to any other share compensation arrangements of the Corporation;
- during a year, the total number of options which may be granted to a single insider, or associates of such insider, may not exceed one point eight percent (1.8%) of the outstanding issue, after deducting all options and other securities granted pursuant to any other share compensation arrangements of the Corporation;
- during a year, the total number of options which may be granted to a single Participant may not exceed one point eight percent (1.8%) of the outstanding issue, after deducting all options and other securities granted pursuant to any other share compensation arrangements of the Corporation; and;

- the total number of options which may be granted to a single Participant under the Plan may not exceed five percent (5%) of the number of common shares of the outstanding issue, after deducting all options and other securities granted to such Participant pursuant to other share compensation arrangements of the Corporation.

The exercise price of each option is determined by the Board on the date of grant of such option, which price may not, however, be less than the weighted average trading price of the common Shares on the Toronto Stock Exchange during the five (5) Business days immediately preceding the date of the grant.

Unless otherwise instructed by the Board, options granted under the Plan will be acquired by the holder as follows:

- up to 25% of the options are exercisable one (1) year from the date of the grant;
- up to 50% of the options are exercisable two (2) years from the date of the grant;
- up to 75% of the options are exercisable three (3) years from the date of the grant;
- up to 100% of the options are exercisable four (4) years from the date of the grant.

The period during which an option may be exercised shall be determined by the Board at the time the option is granted, provided, however, that such period may not in any event exceed ten (10) years. Notwithstanding the foregoing, options granted to a Participant will expire sooner if:

- the Corporation terminates the Participant's employment for just cause, any unexercised option shall terminate on the date on which notice of termination is given by the Corporation;
- the Corporation terminates the Participant's employment without just cause, any unexercised option may be exercised by the Participant no later than ninety (90) days following the date of such notice of termination or prior to the expiry of the option term, if such date is earlier, but only as to the number of Shares that the Participant was entitled to acquire on the date of such notice of termination;
- the Participant resigns or otherwise terminates its service agreement with the Corporation, any unexercised option shall terminate on the date on which notice of termination is given by the Participant;
- the Participant leaves for retirement, any unexercised option may be exercised no later than ninety (90) days from the date of retirement or prior to the expiry of the option term, if such date is earlier, but only as to the number of Shares that the Participant was entitled to acquire on the date of his/her retirement;
- the Participant dies while employed by the Corporation, any unexercised option may be exercised by the person to whom said option has been assigned to by will, testament or under the applicable estate law not later than one hundred eighty (180) days after the Participant's death, or prior to the expiry of the option term, if such date is earlier, but only as to the number of Shares that the Participant was entitled to acquire of the time of his death.

**As per the TSX standards, any amendments to the Plan must be approved by the Board, the TSX and the shareholders by way of resolutions adopted at a special meeting.**

A maximum of 500,000 Shares were initially reserved for issuance under the Plan. On February 29, 2016, the Corporation's Shares were subdivided, which increased the number of Shares reserved for issuance pursuant to the Plan to 1,500,000. As of January 31, 2018, 1,031,375 options issued under the Plan were outstanding, representing 1.78% of the issued and outstanding securities.

Notwithstanding the preceding, it should be further noted that as of January 31, 2018, a total of 923,575 Shares remained reserved for issuance under the Corporation's prior share option plan (the "Old Plan"), representing 1.60% of the issued and outstanding Shares of the Corporation.

The following table indicates the outstanding options and options available under the Plan as of January 31, 2018:

Total Number of Options Pursuant to the Option Plan	Total Number of Reserved Shares	Outstanding Options	Average Exercise Price of Outstanding Options	Available Options
1,500,000	1,491,000	1,031,375	\$23.98	459,625

The following table indicates the outstanding options and options available under the Old Plan as of January 31, 2018:

Total Number of Options Pursuant to the Option Plan	Total Number of Reserved Shares	Outstanding Options	Average Exercise Price of Outstanding Options	Available Options
3,237,680	959,125	923,575	\$12.50	—

## APPOINTMENT AND COMPENSATION OF AUDITORS

The Board and the management of the Corporation propose that Ernst & Young LLP, Chartered Accountants be appointed auditors of the Corporation and that the directors of the Corporation be authorized to fix their remuneration. Ernst & Young LLP have been the auditors of the Corporation for more than five years.

**Unless indicated otherwise by the shareholder, the voting rights attached to the Shares represented by any proxy duly signed will be exercised IN FAVOUR OF the appointment of Ernst & Young LLP as auditors and the authorization for the Board to fix their remuneration.**

The following table presents by category the fees billed by the external auditors of the firm Ernst & Young LLP for the fiscal years ended November 30, 2017, and 2016.

Category of Fees	2017	2016
Audit Fees	\$206,350	\$190,200
Audit-related Fees	\$31,400	\$38,200
Tax Fees	\$100,300	\$69,500
<b>Total</b>	<b>\$338,050</b>	<b>\$297,900</b>

In the above table, the expressions indicated in the "Category of Fees" column have the following meaning: "Audit Fees" include the aggregate fees billed by Ernst & Young LLP for the audit of annual consolidated financial statements, the reading of the quarterly financial statements, and other documents for regulatory filings. "Audit-related Fees" include the aggregate fees billed by Ernst & Young LLP for consulting services with respect to regulatory standards, accounting standards and due diligence reviews in connection with contemplated or completed acquisitions by the Corporation. "Tax Fees" include the aggregate fees billed by Ernst & Young LLP for professional services rendered for tax compliance, tax advice, as well as tax planning services.

## **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

As of November 30, 2016, neither the Corporation nor any of its subsidiaries had any outstanding loans to any of its current or former directors, officers, or employees in their personal capacity or to one of their related companies.

## **INSURANCE OF DIRECTORS AND OFFICERS**

The Corporation provides liability insurance for the benefit of its directors and officers and those of its subsidiaries as a group. The total amount of the coverage for the period beginning December 1<sup>st</sup>, 2017 and ending November 30, 2018 is \$20,000,000. For the coverage year as defined in the policy, the Corporation has paid an annual premium of approximately \$40,000.

## **INTEREST OF INFORMED PERSONS AND OTHER PERSONS IN MATERIAL TRANSACTIONS**

No director, executive officer, or other informed person of the Corporation, nor any associate or affiliate of the foregoing persons has had any interest, directly or indirectly, in any material transaction since the commencement of the Corporation's last fiscal year.

## **ADDITIONAL INFORMATION**

The Corporation's financial information is included in its audited consolidated financial statements and management's discussion and analysis for the fiscal year ended November 30, 2017. Copies of these documents and additional information concerning the Corporation (including the Corporation's annual information form) can be found on the SEDAR Website at the following address: [www.sedar.com](http://www.sedar.com) and may also be obtained upon request to the Vice-President and Chief Financial Officer of the Corporation at 7900 Henri-Bourassa Blvd. West, Montreal, Quebec, H4S 1V4. The Corporation may charge a reasonable amount for any request from someone who is not a shareholder of the Corporation.

## **APPROVAL OF DIRECTORS**

The Board has approved the form, the content and the sending of the Circular.

Montreal, province of Quebec, this 8<sup>th</sup> day of March 2018.

(Signed)

Yannick Godeau  
Corporate Secretary

## **APPENDIX A: CORPORATE GOVERNANCE DISCLOSURE**

### ***Board of directors***

The Board, through its Human Resources and Corporate Governance Committee, established that a majority of directors are independent, namely: Mrs. Denyse Chicoyne, Mr. Robert Courteau, Mr. Mathieu Gauvin, Mr. Pierre Pomerleau, Mr. Marc Poulin, Mr. Jocelyn Proteau and Mrs. Sylvie Vachon are considered independent as they are not, and were not in the past, party to any material relationship with the Corporation, its subsidiaries or controlling shareholder that may, in the opinion of the Board, interfere with the independent judgement of the director. Mr. Richard Lord does not qualify as an independent director due to his acting as President and Chief Executive Officer of the Corporation.

The duties of the Chair of the Board, which are outlined in the Charter of the Board, can be found in Appendix B of this Circular and are summarized in Appendix C, are currently assumed by Mr. Jocelyn Proteau who is acting as an independent director.

However, to ensure that the Board remains independent in its judgement, the independent directors hold in-camera meetings after each Board meeting or more frequently, should the need arise, without the presence of management and the only non-independent director.

Four (4) independent directors meetings were held during the fiscal year ending on November 30, 2017.

The other directorships of the directors of the Corporation is presented under the section "Information about Nominees Proposed for Election as Directors" on pages 5 and following of this Circular.

The attendance by the directors to Board and committees meetings held over the course of the fiscal year ending November 30, 2017, is listed in the section "Information about Nominees Proposed for Election as Directors" beginning on pages 5 and following of this Circular.

### ***Mandate of the Board of directors***

The mandate of the Board can be found in Appendix B of this Circular.

### ***Position Description***

The Board has developed written position descriptions for the Chair of the Board and the Chair of each Board committee. The responsibilities of the Chair of the Board are listed in the Charter of the Board that can be found in Appendix B of this Circular. A summary of the description for the Chair or the Board and for the Chair of each committee appears in Appendix C of this Circular.

The Human Resources and Corporate Governance Committee reviews, on an annual basis, the description of the duties of the President and Chief Executive Officer and other senior officers and provides recommendations to the Board. Furthermore, such committee reviews, on an annual basis, the objectives that the President and Chief Executive Officer is asked to meet, evaluates his performance following the established criteria, and provides recommendations to the Board. However, the Human Resources and Corporate Governance Committee decided that it was not necessary at this point to adopt a written job description for the President and Chief Executive Officer.

### ***Orientation and Continuing Education***

The Chair of the Board provides all new directors with all the documentation pertinent to the affairs of the Corporation including in particular historical public information about the Corporation, by-laws, the previous minutes of the Board and of its relevant committees, the Corporation's code of ethics and its various policies. Moreover, through the meetings they attend and discussions with the directors and members of management, new directors can familiarize themselves with the activities of the Corporation.

Finally, to ensure the continuing education of its directors, presentations on various aspects of the Corporation's operations and the industry in general are offered by members of the management to the directors during the meetings of the Board.

### ***Business Ethics***

On January 26, 2005, the Board adopted a code of ethics to which all employees, executives and directors of the Corporation must comply. This code of ethics is available on the SEDAR Website ([www.sedar.com](http://www.sedar.com)). It can also be obtained upon request from the Corporation's Vice-president and Chief Financial Officer at 7900 Henri-Bourassa Blvd. West, Montreal, Quebec, H4S 1V4.

Each year, at the Board's request, the management provides the code of ethic to all employees of the Corporation. The management of the Corporation will take all reasonable measures to ensure compliance with the code of ethics and to react adequately and promptly to reported violations. The Board, through the Human Resources and Corporate Governance Committee, is responsible for monitoring compliance with the code of ethics. Any violation of the code of ethics shall be reported to the Human Resources and Corporate Governance Committee, which in turn shall report such violation to the Board.

Additionally, the Audit Committee has elaborated a whistle blowing policy relative to questionable accounting or auditing practices whereby employees, under the protection of anonymity and on a confidential basis, can report to the Chair of the Audit Committee reprehensible practices concerning accounting, internal controls, auditing matters and possible violations of the law. The reporting may be done directly by mail, phone, or email, or indirectly through their immediate superior or the Human Resources Manager. This document is handed down to all employees on an annual basis. Each year, the external auditors shall audit the process by testing its accessibility and its confidentiality level.

### ***Selection of Nominees for Election to the Board of directors***

The Human Resources and Corporate Governance Committee recommends to the Board candidates for the position of director. This Human Resources and Corporate Governance Committee is comprised of three (3) independent directors: Mr. Robert Courteau (Chair), Mrs. Denyse Chicoyne and Mrs. Sylvie Vachon. Mr. Jocelyn Proteau also acts as ex-officio member of this Committee. The members of the Human Resources and Corporate Governance Committee are appointed by the Board in April of each year.

To fulfill this responsibility, and pursuant to its written mandate, the Human Resources and Corporate Governance Committee takes into account the size of the Board, the Corporation's needs as well as the particular skills and qualifications of the members already on the Board. Guided by the strengths of the Board and the evolution

of the Corporation's needs, the Human Resources and Corporate Governance Committee determines what qualifications, aptitudes and personal qualities are sought in directors to add value to the Corporation. To that effect, a skills chart was created in order to better identify the profile of the suitable candidate. Once the profile is established, a list of candidates is established in consultation with all directors. The Human Resources and Corporate Governance Committee may, if need be, give a mandate to a recruitment firm to identify potential candidates to be selected as nominees.

### ***Compensation***

The responsibilities normally assigned to a compensation committee are assumed by the Human Resources and Corporate Governance Committee, as described in the previous section, "***Selection of Nominees for Election to the Board of Directors***".

The mandate of the Human Resources and Corporate Governance Committee is to evaluate the senior officers of the Corporation and to recommend to the Board their employment terms and their level of compensation. To establish the compensation of directors, the Human Resources and Corporate Governance Committee considers the time devoted to the Corporation, and the compensation, risks, and duties of comparable positions.

### ***Other Board Committees***

The Board's standing committees include the Human Resources and Corporate Governance Committee and the Audit Committee. The charters for each such committee is available on the SEDAR Website ([www.sedar.com](http://www.sedar.com)).

### ***Evaluation***

The Human Resources and Corporate Governance Committee implemented a procedure to assess the Board and its committees as well as the Chair of the Board. The evaluation is performed by way of questionnaires forwarded to every director. The results are collected by the Corporation's Corporate Secretary and then communicated to the Chair of the Board and all directors.

## **APPENDIX B: MANDATE OF THE BOARD OF DIRECTORS**

This Appendix reproduces in full the Charter of the Board of directors of the Corporation, as approved by the Board of directors on January 25, 2006 and modified on January 26, 2012. The mandate is reviewed and approved each year.

### **RICHELIEU HARDWARE LTD.**

#### **CHARTER OF THE BOARD OF DIRECTORS**

## **1 PURPOSE OF THE BOARD**

Elected by the shareholders of Richelieu Hardware Ltd. ("Richelieu"), the Board of directors (the "Board") is responsible for overseeing management of the business and affairs of Richelieu and its subsidiaries.

Although directors may be elected by the shareholders of Richelieu to bring special expertise or a particular point of view to Board deliberations, they are not chosen to represent particular interests. The best interests of Richelieu must be paramount at all times.

## **2 POWERS**

As part of its functions, the Board may:

- a) Ask management of Richelieu or external third parties for the information it needs to fulfil its duties;
- b) Obtain, when necessary, legal or other advice from external professionals;
- c) Determine and authorize the payment of the fees of such professionals; and
- d) Communicate directly with the in-house auditor, if applicable, and the external auditors of Richelieu.

## **3 COMPOSITION OF THE BOARD**

### **3.1 Selection of members**

The Board, through its Human Resources and Corporate Governance Committee, is responsible for, among other things, (i) reviewing the size of the Board on an annual basis, (ii) examining the skills, qualifications and expertise of the directors on an annual basis, (iii) recruiting potential directors from time to time, taking into account their experience, employment and qualifications and making appropriate recommendations to the Board, and (iv) identifying and recommending directors to be nominated at each annual meeting of Richelieu. The Board approves the final choice of nominees standing for election by shareholders.

### **3.2 Size of Board**

Subject to the articles of incorporation, the Board is made up of a maximum of ten (10) directors. The number of directors set from time to time must be sufficient to ensure a variety of skills and points of view, provide useful experience to the Board and sit on the various Board committees while contributing to effective decision-making.

### **3.3 Independent directors**

Subject to the exceptions prescribed by the laws, regulations, policies, guidelines or standards of applicable securities authorities and stock exchanges on which Shares of Richelieu are traded (collectively the "Applicable Standards"), the majority of Board members must be "independent" directors (as such term is defined in the Applicable Standards for boards of directors).

### **3.4 Conditions for Board membership**

In addition to meeting the requirements under the law and the constituting documents of Richelieu, directors of Richelieu must, overall, have the skills, qualifications and expertise determined from time to time by the Human Resources and Corporate Governance Committee, as well as an understanding of the challenges facing Richelieu.

### **3.5 What is expected of Board members**

Board members shall:

- a) Act ethically, with integrity and in the best interests of Richelieu;
- b) Devote the necessary time to the affairs of Richelieu and act with care, diligence and skill in performing their duties as a director;
- c) Understand the role and responsibilities of the Board and its committees;
- d) Use their best efforts to be present (in person or by telephone) at all meetings of the Board and of the committees on which they sit;
- e) Read the documents provided by management in preparation for Board and committee meetings;
- f) Understand and question the affairs and strategic plans of Richelieu;
- g) Keep confidential the deliberations and decisions of the Board and committees as well as information sent to them in anticipation of Board and committee meetings, except when the information has been publicly disclosed;
- h) Immediately inform the Board if they cease to be "independent".

### **3.6 Chair of the Board**

The Chair of the Board is appointed by the Board from among the “independent” directors of Richelieu. The Chair of the Board shall ensure that the Board carries out its duties efficiently.

Specifically, the Chair of the Board is responsible for the following:

- a) Establishing the schedule for the Board's meetings.
- b) Preparing (in consultation with management) the agenda of the Board's meetings and ensure the timely availability of the required documentation.
- c) Chairing meetings of the Board.
- d) Ensuring that the Board discharges its duties and responsibilities as set forth in the Charter and comply with its terms.
- e) Ensuring the efficient operation of the committees. To this end, the Chair of the Board may, at its discretion, attend and participate at all times in any committee meeting, whether or not he is a member.
- f) Acting as the Board's representative to the President and Chief Executive Officer to ensure efficient communication between management and the Board.
- g) Chairing shareholders' meetings.

### **3.7 Mandate of directors**

The directors are elected by shareholders at each annual meeting unless the Board appoints a director to fill a vacancy until the next annual meeting. The mandate of each director terminates at the end of the annual meeting of shareholders immediately following the meeting at which such director was elected or at the appointment of his or her successor.

## **4 BOARD MEETINGS**

### **4.1 Agenda of Board meetings**

The Chair of the Board, in consultation with management, prepares the agenda for Board meetings. Information and documentation that is important to allow the directors to understand items on the agenda are distributed within a reasonable time prior to the meeting.

### **4.2 Frequency of Board meetings**

The Board meets at least four (4) times a year, and other meetings may be held as needed.

### **4.3 Participation of management and other guests at meetings**

Members of management and any other person may, upon invitation by the Chair of the Board, participate in and make presentations at Board meetings. Persons invited to participate in Board meetings and who are not Board members are not entitled to vote on decisions made.

### **4.4 Quorum**

The quorum required for any meeting is the majority of members of the Board.

### **4.5 Closed sessions**

All regular meetings of the Board will provide for a closed session, at which no member of management is present, in order to ensure a free and open discussion between the external directors.

## **5 DUTIES AND RESPONSIBILITIES OF THE BOARD**

The Board discharges its duty to oversee the management of Richelieu by delegating to the senior officers of Richelieu responsibility for the day-to-day management. The Board discharges its duty both directly and through its committees — the Audit Committee and the Human Resources and Corporate Governance Committee. In addition to the regular committees, the Board may periodically appoint ad hoc committees to address certain issues of a more short-term or urgent nature.

When it delegates matters for which it is responsible to Board committees, the Board nonetheless maintains its oversight role and ultimate responsibility for the matters in question and any other delegated duty.

In addition to the duties prescribed by law, the primary role of the Board is to oversee the activities of Richelieu and to ensure the quality, thoroughness and continuity of its management in order to reach the strategic goals of Richelieu. The Board also has the following duties:

- a) The Board is responsible for choosing the Chair of the Board.
- b) The Board is responsible for reviewing and ratifying the recommendations issued by the Human Resources and Corporate Governance Committee with respect to its composition and size, candidates nominated for election to the Board, committee and committee chair appointments, committee charters and director compensation.
- c) The Board is responsible, through the Human Resources and Corporate Governance Committee, for evaluating, on an annual basis, the performance of the Board and its Chair, as well as the performance of Board committees and their chairs.
- d) The Board is responsible, through the Human Resources and Corporate Governance Committee, for supervising the training and development of the directors.
- e) The Board is responsible for ensuring that the appropriate structures and procedures are in place in order to allow the Board and its committees to operate independently of management of Richelieu.

- f) The Board is responsible for approving the appointment of senior officers, including the President and Chief Executive Officer, and approving their remuneration based on recommendations made by the Human Resources and Corporate Governance Committee.
- g) The Board is responsible, through the Human Resources and Corporate Governance Committee, for overseeing the succession planning programs, including training and development programs for senior officers.
- h) The Board is responsible for approving and, as needed, reviewing the description of the duties of the President and Chief Executive Officer developed by the Human Resources and Corporate Governance Committee.
- i) The Board is responsible for approving, upon the recommendation of the Human Resources and Corporate Governance Committee, the goals of the President and Chief Executive Officer.
- j) The Board is responsible for reviewing the evaluation of the performance of the President and Chief Executive Officer and of the other senior officers made by the Human Resources and Corporate Governance Committee and reviewing and ratifying the recommendations of the committee with respect to their compensation.
- k) The Board is responsible for ensuring that its expectations of management are well understood by management.
- l) The Board is responsible for adopting a strategic planning process as well as for reviewing and, on an annual basis, approving the strategic plan of Richelieu developed by management.
- m) The Board is responsible for considering alternate strategies in response to possible change of control transactions or take-over bids with a view to maximizing value for shareholders.
- n) The Board is responsible for enhancing alignment between shareholders expectations, Richelieu plans and management performance.
- o) The Board is responsible for approving, on an annual basis, the operating budget and the capital expenditure budget of Richelieu developed by management.
- p) The Board is responsible for supervising, through the Audit Committee, the quality and integrity of the accounting systems, controls and procedures for disclosing information as well as the internal control and information management systems of Richelieu.
- q) The Board is responsible for overseeing, through the Audit Committee, the integrity and quality of the financial statements and other financial information of Richelieu.
- r) The Board is responsible for approving, upon the recommendation of the Audit Committee, the audited financial statements, interim financial statements and the notes and Management's Discussion and Analysis accompanying such financial statements, the annual report, annual information form, information circular, press releases and any other financial document which Richelieu is required to publish or file.
- s) The Board is responsible for ensuring, through the Audit Committee, that the external auditors are independent and competent.
- t) The Board is responsible for reviewing and approving Richelieu's material transactions outside the ordinary course of business and those matters which the Board is required to approve under the constituting documents of Richelieu, including the payment of dividends, acquisitions and dispositions of material capital assets and major capital expenditures.
- u) The Board is responsible for identifying the principal risks of Richelieu's business and ensuring the implementation of appropriate systems to effectively monitor and manage such risks with a view to the long-term viability of Richelieu and achieving a proper balance between the risks incurred and the potential return to shareholders of Richelieu.
- v) The Board is responsible for reviewing and approving the key policies developed by management respecting various matters such as ethics, disclosure, insider trading, cash flow management, the environment and human resources.
- w) The Board is responsible for approving and reviewing, as needed, a communications plan to address communications with shareholders, employees, financial analysts, governments and regulatory authorities, the community and the media.
- x) The Board is responsible for taking steps to enhance the timely disclosure of any development that has a material impact on Richelieu.
- y) The Board is responsible for overseeing the implementation of systems which accommodate feedback from shareholders.
- z) The Board is responsible, through the Human Resources and Corporate Governance Committee, for developing and, as needed, reviewing the appropriate corporate governance structures and procedures.
- aa) The Board is responsible for (i) ensuring the integrity of the President and Chief Executive Officer and the other senior officers and ensuring that such persons maintain a culture of integrity within the Corporation, (ii) upon the recommendation of the Human Resources and Corporate Governance Committee, adopting a code of ethics (including a disclosure regime for financial and accounting issues) and reviewing it as needed, (iii) through the Human Resources and Corporate Governance Committee, controlling compliance with the code of ethics, and (iv) upon the recommendation of the Committee, granting exemptions from the code of ethics.

## 6 CHARTER

This charter will be revised annually (or as needed) by the Board through its Human Resources and Corporate Governance Committee. The committee will recommend to the Board of directors the changes to be made to the charter, where applicable. The performance of the Board will be evaluated on the basis of this charter.



## **APPENDIX C: MANDATE OF THE CHAIR OF THE BOARD AND OF THE CHAIRS OF COMMITTEES**

### **MANDATE OF THE CHAIR OF THE BOARD**

The mandate of the Chair of the Board outlines its responsibilities as well as the expectations of the Board. The complete description of the mandate appears in the Charter of the Board, which can be found at Appendix B of the Circular.

In brief, the Chair of the Board has the following responsibilities:

- i)* planning Board meetings;
- ii)* presiding over Board meetings and any annual or special meeting of the shareholders;
- iii)* ensuring that the Board discharges its duties and responsibilities as set forth in the Charter and complies with its terms;
- iv)* ensuring the efficient operation of the committees; and
- v)* acting as the principal intermediary and facilitating communications between the Board and the President and Chief Executive Officer of the Corporation.

### **MANDATE OF THE COMMITTEE CHAIRS**

The written charters of the Audit Committee and the Human Resources and Corporate Governance Committee are available on the SEDAR Website ([www.sedar.com](http://www.sedar.com)). They set forth the detailed responsibilities of each committee Chair.

Therefore, a committee Chair has the following responsibilities:

- i)* planning committee meetings;
- ii)* presiding over committee meetings;
- iii)* ensuring that the committee fulfills its responsibilities pursuant to its written mandate; and
- iv)* reporting to the Board on the work performed by the committee.