EXFO

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS And MANAGEMENT PROXY CIRCULAR

November 1, 2012

EXFO Inc.

MANAGEMENT PROXY CIRCULAR

SOLICITATION OF PROXIES

This Management Proxy Circular ("Circular") is provided in connection with the solicitation by the Management of EXFO Inc. (the "Corporation" or "EXFO") of proxies to be used at the Annual General Meeting of shareholders (the "Meeting") of the Corporation to be held at the time and place and for the purposes stated in the accompanying Notice of Meeting and at any adjournment thereof. Unless otherwise indicated, the information contained herein is given as of November 1, 2012.

It is expected that the solicitation will be made primarily by mail but proxies may also be solicited personally by officers, employees or agents of the Corporation. The Corporation may also reimburse brokers and other persons holding shares in their names or in the names of nominees, for their costs incurred in sending proxy material to principals and obtaining their proxies. The cost of solicitation will be borne by the Corporation and is expected to be nominal.

APPOINTMENT AND REVOCATION OF PROXIES AND ATTENDANCE OF BENEFICIAL SHAREHOLDERS

The persons named in the enclosed Form of Proxy (the "Form of Proxy") are officers of the Corporation. **A shareholder desiring to appoint some other person (who need not be a shareholder) to represent him or her at the Meeting may do so by inserting such person's name in the blank space provided in the Form of Proxy and checking item (B).**

To be valid, proxies must be received at the Toronto, Canada office of Canadian Stock Transfer Company Inc. (CST) as administrative agent for CIBC Mellon Trust Company (CIBC Mellon), 320 Bay Street, Banking Hall, Toronto, On M5H 4A6, the transfer agent of the Corporation, no later than the close of business on the last business day preceding the day of the Meeting or any adjournment thereof, or proxies may be delivered to the Chairman of the Meeting on the day of the Meeting or any adjournment thereof. A beneficial shareholder who completes a Form of Proxy and who wishes to attend and vote at the Meeting personally must appoint himself or herself proxy holder in the foregoing manner.

A proxy given pursuant to this solicitation may be revoked by instrument in writing executed by the shareholder or by his or her attorney authorized in writing if such instrument is deposited either at the registered office of the Corporation to the attention of the Corporate Secretary or at the Toronto, Canada office of the Corporation's transfer agent no later than the close of business on the last business day preceding the day of the Meeting or any adjournment thereof or with the Chairman of the Meeting on the day of the Meeting or any adjournment thereof.

VOTING OF PROXIES

The shares represented by proxies appointing the persons, or any one of them, designated by Management thereon to represent the shareholder at the Meeting will be voted in accordance with the instructions given by the shareholder. **Unless otherwise indicated, the voting rights attaching to the shares represented by a Form of Proxy will be voted "FOR" in respect of all the proposals described herein.**

The Form of Proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the accompanying Notice of Meeting. As at the date hereof, Management is not aware that any other matter is to be presented at the Meeting. If, however, other matters properly come before the Meeting, the persons designated in the Form of Proxy will vote thereon in accordance with their judgment pursuant to the discretionary authority conferred by such proxy with respect to such matters.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

As at November 1, 2012, 28,821,515 Subordinate Voting Shares and 31,643,000 Multiple Voting Shares were outstanding, being the only classes of shares entitled to be voted at the Meeting. Each holder of Subordinate Voting Shares is entitled to one vote and the holder of Multiple Voting Shares is entitled to 10 votes for each share registered in his or her name at the close of business on November 12, 2012, being the date fixed by the Board of Directors for the purpose of determining registered shareholders entitled to receive the accompanying Notice of Meeting and to vote (the "Record Date"). A list of shareholders entitled to vote as of the Record Date, showing the number of shares held by each shareholder, shall be prepared within 10 days of the Record Date. This list of shareholders will be available for inspection during normal business hours at the Montreal, Canada office of Canadian Stock Transfer Company Inc. (CST) as administrative agent for CIBC Mellon Trust Company, the transfer agent of the Corporation, 2001 University Street, Suite 1600, Montreal, Quebec, Canada, H3A 2A6, and at the Meeting.

Unless otherwise indicated, the resolutions submitted to a vote at the Meeting must be passed by a majority of the votes cast by the holders of Subordinate Voting Shares and Multiple Voting Shares, as a single class, present at the Meeting in person or by proxy and voting in respect of all resolutions to be voted on by the shareholders of the Corporation.

To the knowledge of executive officers and directors of the Corporation, as of November 1, 2012, the only persons who are beneficial owners or who exercise control or direction, directly or indirectly, over shares carrying more than 10% of the voting rights attaching to any class of shares of the Corporation are:

Name of Shareholder	Number of Subordinate Voting Shares	Percentage of Voting Rights Attached to All Subordinate Voting Shares	Number of Multiple Voting Shares (1)	Percentage of Voting Rights Attached to All Multiple Voting Shares	Percentage of Voting Rights Attached to All Subordinate and Multiple Voting Shares
Germain Lamonde	4,171,069 (2)	14.47%	31,643,000 (3)	100%	92.86%
EdgePoint Investment Group, Inc.	4,032,700	13.99%	–	–	1.17%

(1) The holder of Multiple Voting Shares is entitled to 10 votes for each share.
(2) Mr. Lamonde exercises control over 4,000,000 Subordinate Voting Shares through G. Lamonde Investissements Financiers inc., a company controlled by Mr. Lamonde.
(3) Mr. Lamonde exercises control over this number of Multiple Voting Shares through G. Lamonde Investissements Financiers inc., a company controlled by Mr. Lamonde and through Fiducie Germain Lamonde, a family trust for the benefit of Mr. Lamonde's family.

ELECTRONIC DELIVERY

The Corporation has a voluntary program for e-mail notification to its shareholders advising them that documents which must be delivered pursuant to securities legislation are available on the Corporation's website. Every year, as required by law governing public companies, the Corporation delivers documentation to shareholders, such as this Management Proxy Circular and its annual consolidated financial statements together with the auditors' report thereon. The Corporation has made the delivery of such documents more convenient for its shareholders, as shareholders who so wish, may be notified by e-mail when the Corporation's documentation is posted in the "Investors" section on its website (www.EXFO.com). Accordingly such documentation will not be sent in paper form by mail. The Corporation believes that electronic delivery will benefit the environment and reduce its costs. Shareholders who do not consent to receive documentation by e-mail will continue to receive such documentation by mail. Shareholders may also notify the Corporation in writing of their intention not to receive the annual consolidated financial statements together with the auditors' report thereon, neither by e-mail nor by mail.

Registered shareholders can consent to electronic delivery by completing and returning the consent form accompanying this Circular to CST as administrative agent for CIBC Mellon Trust Company. Unregistered shareholders (i.e. shares are held through a securities broker, bank, trust company or other nominee) can consent to electronic delivery by completing and returning the appropriate form received from the applicable intermediary.

BUSINESS TO BE TRANSACTED AT THE MEETING

Presentation of the Financial Statements

The consolidated financial statements of the Corporation for the financial year ended August 31, 2012 and the Auditors' report thereon accompanying this Circular will be submitted to shareholders at the Meeting but no vote with respect thereto is required or proposed to be taken.

Election of the Directors

According to the articles of the Corporation, the Board of Directors shall consist of a minimum of three (3) and a maximum of twelve (12) directors. The number of directors is currently fixed at six (6) and will be fixed to four (4) at the meeting pursuant to a resolution of the Board of Directors. At the Meeting, Management proposes the four (4) persons named hereafter on pages 4 to 7 as nominees for election as directors to hold office until the next annual meeting or until the office is otherwise vacated in accordance with the Corporation's by-laws.

Management does not anticipate that any of the nominees will be unable or, for any reason whatsoever, reluctant to fulfill their duties as directors. Should this occur for any reason whatsoever before the election, the persons named in the Form of Proxy reserve the right to vote for another nominee of their choice unless the shareholder specified on the Form of Proxy to abstain from voting for the election of the directors. The election of the directors must be approved by a majority of the votes cast on the matter at the Meeting.

The Corporation's Majority Voting Policy applies to this election. Under such policy, a director who is elected in an uncontested election with a greater number of votes "withheld" than votes "for", such director will be required to tender his or her resignation to the Chair of the Board. This resignation will be effective when accepted by the Board of Directors. Unless extraordinary circumstances apply, the Board of Directors will accept the resignation. The Board of Directors will announce its decision (including the reason for not accepting a resignation) by press release within ninety (90) days of the meeting where the election was held. A copy of the Majority Voting Policy is available on the Corporation's website (www.EXFO.com).

Nomination Process

The Human Resources Committee assists the Board of Directors by identifying individuals qualified to become Board of Directors members, and recommending that the Board of Directors select the director nominees for the next annual meeting of shareholders. In making its recommendations, the Human Resources Committee objectively considers, among others, the competencies and skills (i) that the Board of Directors considers to be necessary for the Board, as a whole, to possess; (ii) that the Board of Directors considers each existing director to possess; and (iii) each new nominee will bring to the board room. Therefore, the competencies and skills, identified by the Human Resources Committee, as a whole, include the skill sets of current members such as financial literacy, test and measurement and systems and service assurance technology and telecommunications industry experience, international experience and other related competencies. Any additional skill sets deemed to be beneficial are considered, assessed and identified in light of the opportunities and risks facing the Corporation when candidates for director positions are considered.

Appointment and Remuneration of Auditors

A firm of auditors is to be appointed by vote of the shareholders at the Meeting to serve as auditors of the Corporation until the close of the next annual meeting. The Audit Committee is to be authorized to fix the remuneration of the auditors so appointed. The Board of Directors and Management, upon the advice of the Audit Committee, recommend that PricewaterhouseCoopers LLP be re-appointed as Auditors of the Corporation. The re-appointment of PricewaterhouseCoopers LLP must be approved by a majority of the votes cast on the matter at the Meeting.

NOMINEES FOR ELECTION AS DIRECTORS AND THEIR BENEFICIAL OWNERSHIP OF VOTING SECURITIES

The following charts and notes set out the name of each of the individuals proposed to be nominated at the Meeting for election as a director of the Corporation. Included in these charts is information relating to the proposed directors' committee memberships, meeting attendance, period of service as a director, principal directorships with other organizations and equity ownership (or securities over which each of them exercises control or direction) in the Corporation.

GERMAIN LAMONDE

St-Augustin-de-Desmaures, Quebec, Canada

Director since September 1985

Not Independent (Management)

Principal Occupation: Chairman of the Board of Directors, President and Chief Executive Officer of the Corporation

Germain Lamonde, a company founder, has been President and Chief Executive Officer of EXFO since its inception in 1985. He has also been Chairman of the Board since EXFO went public in 2000. Responsible for the overall management and strategic direction of EXFO, Mr. Lamonde has grown the company from the ground up into a global leader in the test and measurement and systems and service assurance industry. Mr. Lamonde has served on the board of directors of several organizations such as the Canadian Institute for Photonic Innovations, the POLE QCA Economic Development Corporation, the National Optics Institute of Canada (INO) and Laval University, to name a few. Germain Lamonde holds a bachelor's degree in physics engineering from the University of Montreal's School of Engineering (*École Polytechnique*), a master's degree in optics from *Université Laval* in Quebec City, and is also a graduate of the Ivey Executive Management Program offered by the University of Western Ontario.

Board/Committee Membership	Attendance (1)		Principal Board Memberships
Chairman of the Board of Directors	8/8	100%	–

Securities Held

As at	*Subordinate Voting Shares(#)*	*Multiple Voting Shares(#)*	*RSUs(#)*	*Total Shares (2) and RSUs(#)*	*Total Market Value (3) of Shares (2) and RSUs (US$)*
August 31, 2012	4,140,588 (4)	31,643,000 (5)	228,920	36,012,508	173,580,289

Options Held as at August 31, 2012

Date Granted	*Number(#)*	*Exercise Price (US$) (6)*	*Total Unexercised(#)*	*Value of Options Unexercised (US$) (7)*
February 1, 2005	17,942	4.51	17,942	–
December 6, 2005	11,218	4.76	11,218	–
Total			29,160	–

(1) From September 1, 2011 until November 1, 2012, Mr. Lamonde attended 7 meetings in person and 1 meeting by telephone.

(2) Includes both Subordinate Voting Shares and Multiple Voting Shares.

(3) The value of unvested RSUs at the financial year-end is the market value of the Subordinate Voting Shares on August 31, 2012, which was US$4.82 (CA$4.75). The market value of the Subordinate Voting Shares and Multiple Voting Shares was calculated by using the highest of the closing prices of the Subordinate Voting Shares on the Toronto Stock Exchange and on the NASDAQ National Market on August 31, 2012 using the noon buying rate of the Bank of Canada to convert the NASDAQ National Market closing price to Canadian dollars as required. The actual gains on vesting of RSUs will depend on the value of the Subordinate Voting Shares on the date of vesting. There can be no assurance that these values will be realized.

(4) Mr. Lamonde exercises control over 4,000,000 of Subordinate Voting Shares through G. Lamonde Investissements Financiers inc., a company controlled by Mr. Lamonde.

(5) Mr. Lamonde exercises control over this number of Multiple Voting Shares through G. Lamonde Investissements Financiers inc., a company controlled by Mr. Lamonde and through Fiducie Germain Lamonde, a family trust for the benefit of Mr. Lamonde's family.

(6) These options were granted in Canadian dollars. The exercise price was calculated by using the highest of the closing prices of the Subordinate Voting Shares on the Toronto Stock Exchange and on the NASDAQ National Market on the business day preceding the grant date using the noon buying rate of the Bank of Canada to convert the Toronto Stock Exchange closing price to United States dollars on the grant date.

(7) Indicates an aggregate value of "in-the-money" unexercised options held at the financial year ended August 31, 2012. "In-the-money" options are options for which the market value of the underlying securities is higher than the exercise price. The value of unexercised in-the-money options at financial year end is the difference between its exercise or base price and the market value of the underlying Subordinate Voting Share as at August 31, 2012, which was US$4.82 (CA$4.75). The market value of the Subordinate Voting Shares was calculated by using the highest of the closing prices of the Subordinate Voting Shares on the Toronto Stock Exchange and on the NASDAQ National Market on August 31, 2012 using the noon buying rate of the Bank of Canada to convert the Toronto Stock Exchange closing price to United States dollars as required. For a Canadian resident, the value of options unexercised is calculated using the exercise price and the market value of the subordinate voting shares on the TSX in Canadian dollars.

PIERRE-PAUL ALLARD

Pleasanton, California, USA

Director since September 2008

Independent

Principal Occupation: Senior Vice-President, Corporate Strategy and Development at Avaya Inc. (1)

Pierre-Paul Allard was appointed a member of our Board of Directors in September 2008 and has been a board member of many other technology companies in Canada and in the US. Mr. Allard is Senior Vice-President, Corporate Strategy and Development at Avaya Inc., a global provider of business collaboration and communications solutions. Mr. Allard is responsible for all go-to-market strategy at Avaya, as well as leading Avaya's mergers and acquisitions (M&A), marketing, analyst relations and strategic alliance initiatives on a global basis. Prior to joining Avaya in May 2012, Mr. Allard worked for 19 years at Cisco Systems, Inc., where he most recently held the position of Vice-President, Sales and Operations, Global Enterprise. Previously, Mr. Allard was President of Cisco Systems Canada, and before that he held various management roles at IBM Canada for 12 years. In 2002, Mr. Allard co-chaired the Canadian e-Business Initiative, a private-public partnership aiming to measure the role e-Business plays in increasing productivity levels, job creation and competitive position. In 1998, he was the laureate of the Arista-Sunlife Award, for Top Young Entrepreneur in Large Enterprise, by the Montreal Chamber of Commerce. In 2003, he received the Queen's Golden Jubilee Medal, which highlights significant contributions to Canada. In the same year, he was also awarded the prestigious Trudeau Medal from the University of Ottawa, Tefler School of Management. Pierre-Paul Allard holds a bachelor's and masters' degree in Business Administration from the University of Ottawa, in Canada.

Board/Committee Membership	**Attendance (2)**		**Principal Board Memberships**
Board of Directors	7/8	88%	–
Audit Committee	3/5	60%	
Human Resources Committee	4/5	80%	
Independent Board of Directors	5/7	71%	

Securities Held

As at	*Subordinate Voting Shares(#)*	*DSUs(#)*	*Total Shares and DSUs(#)*	*Total Market Value (3) of Shares (4) and DSUs (US$)*
August 31, 2012	8,000	20,538	28,538	137,553

Options Held as at August 31, 2012

Date Granted	*Number(#)*	*Exercise Price (US$)*	*Total Unexercised(#)*	*Value of Options Unexercised (US$)*
–	–	–	–	–

(1) Avaya Inc. is a global provider of business collaboration and communications solutions.

(2) From September 1, 2011 until November 1, 2012, Mr. Allard attended 5 meetings in person and 2 meetings by telephone.

(3) The value of unvested DSUs at the financial year-end is the market value of the Subordinate Voting Shares on August 31, 2012, which was US$4.82 (CA$4.75). The market value of the Subordinate Voting Shares was calculated by using the highest of the closing prices of the Subordinate Voting Shares on the Toronto Stock Exchange and on the NASDAQ National Market on August 31, 2012 using the noon buying rate of the Bank of Canada to convert the Toronto Stock Exchange closing price to United States dollars as required. The actual gains on vesting of DSUs will depend on the value of the Subordinate Voting Shares on the date of vesting. There can be no assurance that these values will be realized.

(4) Refers to Subordinate Voting Shares.

DARRYL EDWARDS

Weston Under Wetherley
Warwickshire
United Kingdom

Director since
September 2011

Independent

Principal Occupation:
President and CEO, ECI Telecom

Darryl Edwards was appointed a member of our Board of Directors in September 2011. Mr. Edwards is the President and CEO of ECI Telecom, a leading provider of Access and Transport solution. Prior to leading ECI, Mr. Edwards was the Chairman of the Board for MACH, a leading provider of hub-based mobile communication solutions. He brings to EXFO more than 30 years of telecommunications experience gained from a number of senior executive leadership positions; most recently he was the Chief Executive Officer of AIRCOM International, successfully leading the company through to business sale. Mr. Edwards was previously at Nortel Networks for 17 years, where he held various executive officer positions, including President of EMEA and President of Global Sales (Carrier Networks). He also was the Chief Executive Officer for two of Nortel's key joint ventures, first in the Middle East and later in Germany. Prior to his time at Nortel, Mr. Edwards spent 13 years at GEC-Plessey Telecommunications where he worked in engineering, quality assurance and international sales. He was also an advisor to private equity firm Warburg Pincus, the majority shareholder in MACH, on telecommunications-related topics. Mr. Edwards has held a number of chairs, including Chairman of the Board of Nortel's interests in Turkey, Nortel Netas, which was listed on the Istanbul Stock Exchange. He also was a member of the Advisory Counsel to the Turkish government between 2004 and 2008, and previously served on the UK Government Broadband Stakeholders Group and the Information Age Partnership. Darryl Edwards holds a Higher National Certificate (Physics) from Birmingham Polytechnic in the UK.

Board/Committee Membership	**Attendance (1)**		**Principal Board Memberships**
Board of Directors	8/8	100%	WP Roaming Holdings S.A.
Audit Committee	4/5	80%	
Human Resources Committee	5/5	100%	
Independent Board of Directors	6/7	86%	

Securities Held

As at	*Subordinate Voting Shares(#)*	*DSUs(#)*	*Total Shares and DSUs(#)*	*Total Market Value (2) of Shares (3) and DSUs (US$)*
August 31, 2012	–	4,244	4,244	20,456

Options Held as at August 31, 2012

Date Granted	*Number(#)*	*Exercise Price (US$)*	*Total Unexercised(#)*	*Value of Options Unexercised (US$)*
–	–	–	–	–

(1) From September 1, 2011 until November 1, 2012, Mr. Edwards attended 6 meetings in person and 2 meetings by telephone.
(2) The value of unvested DSUs at the financial year-end is the market value of the Subordinate Voting Shares on August 31, 2012, which was US$4.82 (CA$4.75). The market value of the Subordinate Voting Shares was calculated by using the highest of the closing prices of the Subordinate Voting Shares on the Toronto Stock Exchange and on the NASDAQ National Market on August 31, 2012 using the noon buying rate of the Bank of Canada to convert the Toronto Stock Exchange closing price to United States dollars as required. The actual gains on vesting of DSUs will depend on the value of the Subordinate Voting Shares on the date of vesting. There can be no assurance that these values will be realized.
(3) Refers to Subordinate Voting Shares.

GUY MARIER

Lakefield Gore, Quebec, Canada

Director since January 2004

Lead Director from January 2007 until January 2011

Independent

Principal Occupation: Executive Consultant

Guy Marier has served as our Director since January 2004. President of Bell Québec between 1999 and 2003, Mr. Marier completed his successful 33-year career at Bell[(1)] as Executive Vice-President of the Project Management Office, before retiring at the end of 2003. From 1988 to 1990, Mr. Marier headed Bell Canada International's investments and projects in Saudi Arabia and, for the three following years, served as President of Télébec, limited partnership, a member of the Bell group of companies. He then returned to the parent company to hold various senior management positions. Guy Marier holds a Bachelor of Arts from the University of Montreal and a Bachelor of Business Administration from the *Université du Québec à Montréal.*

Board/Committee Membership	**Attendance[(2)]**		**Principal Board Memberships**
Board of Directors	8/8	100%	–
Audit Committee	5/5	100%	
Human Resources Committee	5/5	100%	
Independent Board of Directors	7/7	100%	

Securities Held

As at	*Subordinate Voting Shares (#)*	*DSUs (#)*	*Total Shares and DSUs (#)*	*Total Market Value[(3)] of Shares[(4)] and DSUs (US$)*
August 31, 2012	1,000	36,186	37,186	179,237

Options Held as at August 31, 2012

Date Granted	*Number (#)*	*Exercise Price (US$)[(5)]*	*Total Unexercised (#)*	*Value of Options Unexercised (US$)[(6)]*
March 24, 2004	12,500	4.65	12,500	–

(1) Bell is Canada's largest communications company, providing consumers with solutions to all their communications needs, including telephone services, wireless communications, high-speed Internet, digital television and voice over IP. Bell also offers integrated information and communications technology services to businesses and governments.

(2) From September 1, 2011 until November 1, 2012, Mr. Marier attended 7 meetings in person and 1 meeting by telephone.

(3) The value of unvested DSUs at the financial year-end is the market value of the Subordinate Voting Shares on August 31, 2012, which was US$4.82 (CA$4.75). The market value of the Subordinate Voting Shares was calculated by using the highest of the closing prices of the Subordinate Voting Shares on the Toronto Stock Exchange and on the NASDAQ National Market on August 31, 2012 using the noon buying rate of the Bank of Canada to convert the NASDAQ National Market closing price to Canadian dollars as required. The actual gains on vesting of DSUs will depend on the value of the Subordinate Voting Shares on the date of vesting. There can be no assurance that these values will be realized.

(4) Refers to Subordinate Voting Shares.

(5) These options were granted in Canadian dollars. The exercise price was calculated by using the highest of the closing prices of the Subordinate Voting Shares on the Toronto Stock Exchange and on the NASDAQ National Market on the business day preceding the grant date using the noon buying rate of the Bank of Canada to convert the Toronto Stock Exchange closing price to United States dollars as required on the grant date.

(6) Indicates an aggregate value of "in-the-money" unexercised options held at the financial year ended August 31, 2012. "In-the-money" options are options for which the market value of the underlying securities is higher than the exercise price. The value of unexercised in-the-money options at financial year end is the difference between its exercise or base price and the market value of the underlying Subordinate Voting Share at August 31, 2012, which was US$4.82 (CA$4.75). The market value of the Subordinate Voting Shares was calculated by using the highest of the closing prices of the Subordinate Voting Shares on the Toronto Stock Exchange and on the NASDAQ National Market on August 31, 2012 using the noon buying rate of the Bank of Canada to convert the Toronto Stock Exchange closing price to United States dollars as required. For a Canadian resident, the value of options unexercised is calculated using the exercise price and the market value of the subordinate voting shares on the TSX in Canadian dollars.

The information as to Subordinate Voting Shares and Multiple Voting Shares beneficially owned or over which the above-named individuals exercise control or direction is not within the direct knowledge of the Corporation and has been furnished by the respective individuals. The information as to the Principal Board Memberships is also not within the direct knowledge of the Corporation and has been furnished by the respective individuals.

With the exception of Mr. Darryl Edwards (as disclosed below), none of the individuals who are proposed to be nominated at the Meeting for election as a director of the Corporation:

(a) is, as at the date hereof, or has been, within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company that (i) was subject to an order that was issued while such individual was acting in the capacity as director, chief executive officer or chief financial officer, or (ii) was subject to an order that was issued after such individual ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer;

(b) is, as at the date hereof, or has been within 10 years before the date hereof, a director or executive officer of any company that, while such individual was acting in that capacity, or within a year of that individual ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;

(c) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his assets; or

(d) has been subject to (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (ii) 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 such individual.

Mr. Darryl Edwards acted as an executive officer of Nortel Networks Corporation ("Nortel") and its affiliates from 2001 to 2009, most recently acting as President of Global Carrier Sales of Nortel in 2009 and as President, EMEA sales of Nortel from 2006 to 2009. Nortel and certain of its affiliates filed for bankruptcy protection in a number of jurisdictions in January 2009.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Compensation Discussion and Analysis

This Compensation Discussion and Analysis focuses primarily on: (i) significant elements of the Corporation’s executive compensation program; (ii) principles on which the Corporation makes compensation decisions and determines the amount of each element of executive and director compensation; and (iii) an analysis of the material compensation decisions made by the Human Resources Committee for the financial year ended August 31, 2012.

The following is a discussion of the compensation arrangements with the Corporation’s Chief Executive Officer (“CEO”), Chief Financial Officer (“CFO”) and each of the three most highly compensated executive officers whose total compensation was, individually, more than CA$150,000, (the “Named Executive Officers” or “NEOs”). The Corporation’s NEOs for the financial year ended August 31, 2012 were Mr. Germain Lamonde (CEO), Mr. Pierre Plamondon (CFO), Mr. Stephen Bull, Vice-President, Research and Development, Mr. Sylvain Rouleau, Vice-President, Human Capital and Mr. Dana Yearian, Vice-President, Sales — Americas.

Members of the Human Resources Committee

During the financial year ended August 31, 2012, the Human Resources Committee was composed of:

- Mr. Guy Marier (Chairman)
- Mr. Pierre-Paul Allard
- Mr. Darryl Edwards
- Mr. Pierre Marcouiller
- Ms. Susan Spradley
- Mr. David A. Thompson (until January 12, 2012)

None of these members were officers or employees, or former officers or employees of the Corporation or its subsidiaries. All of the members of the Human Resources Committee are considered “independent”, as defined in applicable securities legislation and regulations. They each have experience in executive compensation either as a chief executive officer or a senior executive officer of a publicly-traded corporation. Mr. Guy Marier has held various senior management and executive positions in the last 25 years. Mr. Pierre-Paul Allard has held management and executive positions for the last 30 years. Mr. Darryl Edwards has held a number of senior executive leadership positions in the last 30 years. Mr. Pierre Marcouiller has 25 years of experience in management. Ms. Susan Spradley has been a senior executive for 20 years. Over the course of their careers, all members have been exposed at various degrees to the complexity of balancing efficient executive compensation strategies with the evolution of business requirements, having to manage directly or indirectly impacts and consequences of executive compensation decisions. The Board of Directors believes that the Human Resources Committee collectively has the knowledge, experience and background required to fulfill its mandate.

Mandate of the Human Resources Committee

The Human Resources Committee of the Board of Directors is responsible for establishing the annual compensation and assessing the risks related thereto and overseeing the assessment of the performance of all the Corporation’s executive officers, including the President and Chief Executive Officer. This Human Resources Committee also reviews and submits to the Board of Directors the salary structure and the short-term and long-term incentive compensation programs for all employees of the Corporation. The Human Resources Committee also evaluates and makes recommendations to the Board of Directors regarding the compensation of directors, including the number of Deferred Share Units credited to the non-employee directors pursuant to the Deferred Share Unit Plan. The Human Resources Committee’s goal is to develop and monitor executive compensation programs that are consistent with strategic business objectives and shareholders’ interests. Though the Human Resources Committee is responsible for the review and approval of the employees that will receive Restricted Share Units or options to purchase shares of the Corporation, in accordance with policies established by the Board of Directors and the terms of the Long-Term Incentive Plan, these functions may be shared between the Board of Directors and the Human Resources Committee. During the period from September 1, 2011 to August 31, 2012, these functions have been shared by the Board of Directors and the Human Resources Committee but have mainly been performed by the Human Resources Committee.

The Human Resources Committee has reviewed and discussed with the CEO and Vice-President, Human Capital of the Corporation, the compensation disclosure in this document, and has recommended to the Board of Directors that the disclosure be included in this Circular.

From September 1, 2011 to November 1, 2012, the Human Resources Committee held five (5) meetings and at four (4) of those meetings executive compensation was discussed. The Human Resources Committee meetings were attended by all the members of the Human Resources Committee, except Mr. Allard and Mr. Marcouiller who were each absent at one meeting. The following table outlines the main activities of the Human Resources Committee during the last financial year:

Meeting	Main activities of the Human Resources Committee
October 11, 2011	• Review and approval of the Short-Term Incentive Plan for the financial year started September 1, 2011; • Review of the proposed salary scales and salary increases for the year started September 1, 2011; • Review and approval of the compensation plans of executive officers for the financial year started September 1, 2011 being the Base Salary, the Short-Term Incentive Plan and the stock-based compensation delivered through the Long-Term Incentive Plan; • Review and approval of the stock-based compensation plan for the sales force delivered through the Long-Term Incentive Plan for the financial year started September 1, 2011; • Review and approval of the quantum for the stock-based compensation plan for the performing employees delivered through the Long-Term Incentive Plan for the financial year started September 1, 2011; • Review and approval of the executive compensation section of the management proxy circular for the financial year ended August 31, 2011 during a Board of Directors meeting; • Review of the succession planning program; • Review of the Mobilization / Motivation Plan; • Review of a coaching program for the CEO; • Review and approval of the CEO objectives; • Review of the 2012 executive compensation disclosure obligations; • Review of the Management Improvement Performance Program.
January 11, 2012	• Review of the quarterly payments under the Short-Term Incentive Plan for the financial year started September 1, 2011 and being part of the Short-Term Incentive Plan; • Review and approval of the stock-based compensation plan for the performing employees delivered through the Long-Term Incentive Plan for the financial year started September 1, 2011; • Review and approval of the CEO objectives and compensation plan; • Review of the Mobilization / Motivation Plan; • Review of the Management Improvement Performance Program; • Review of the sales forces commissions plans; • Review of the succession planning program.
March 27, 2012	• Review of the quarterly payments under the Short-Term Incentive Plan for the financial year started September 1, 2011 and being part of the Short-Term Incentive Plan; • Review and approval of the stock-based compensation delivered through the Long-Term Incentive Plan; • Review of the sales compensation plans; • Review of the employee mobilization survey; • Review of the succession planning program.
June 28, 2012	• Review of the quarterly payments under the Short-Term Incentive Plan for the financial year started September 1, 2011 and being part of the Short-Term Incentive Plan; • Confirmation of the members' biographies; • Introduction to the Risk Assessment of Executive Compensation; • Status update on the employee mobilization survey; • Review of the Structure Realignment; • Review of the Restructuring Activities; • Review of the Management Framework Renewal; • Review of the sales forces commissions plans; • Determination by the Members of their respective DSU percentage of their Annual Retainer.
October 9, 2012	• Review and approval of the Short-Term Incentive Plan for the financial year started September 1, 2012; • Review of the proposed salary scales and salary increases for the year started September 1, 2012; • Review and approval of the compensation plans of executive officers for the financial year started September 1, 2012 being the Base Salary, the Short-Term Incentive Plan and the stock-based compensation delivered through the Long-Term Incentive Plan; • Review and approval of the stock-based compensation plan for the sales force delivered through the Long-Term Incentive Plan for the financial year started September 1, 2012; • Review and approval of the quantum for the stock-based compensation plan for the performing employees delivered through the Long-Term Incentive Plan for the financial year started September 1, 2012; • Review and approval of the executive compensation section of the management proxy circular for the financial year ended August 31, 2012; • Review of the succession planning program; • Review of the Mobilization / Motivation Plan; • Review and approval of the CEO objectives and compensation plan; • Review of the Risk Assessment of Executive Compensation disclosure obligations.

Compensation Plan Control - Compensation Consultant and Internal Review

As a general practice, the Corporation's relative position in terms of compensation levels is determined periodically through studies performed by independent consulting firms using a selected reference market of comparable companies. The benchmarking activities are further detailed below under the heading – "Benchmarking".

In 2007, the Corporation engaged two human resources consultants, Mercer (Canada) Ltd. ("Mercer") and Aon Corporation ("Aon"), to advise whether the compensation positioning of the Corporation was still aligned with the comparative market. Further to recommendations from Mercer and Aon, the Corporation decided to gradually align the compensation positioning (for the base salary, short-term and long-term incentives) from the fiftieth percentile to the sixtieth percentile for selected positions (hereinafter in this Circular referred to as the "Target Compensation Positioning") over the following three years.

In 2008, the Corporation engaged Hewitt Associates LLC to conduct a world-wide market analysis for selected international positions. The survey included annual base salary, bonuses and commission plans.

In 2009, the Corporation appointed Mercer to review the compensation positioning of the Corporation. Mercer confirmed that the Corporation's compensation scheme (base salary, short-term compensation, long-term compensation) was still aligned with the comparative market but some adjustments were proposed to be made for certain executive officers. Considering the overall economic situation, the adjustments proposed by Mercer were postponed.

In 2010, the Corporation engaged Mercer to conduct a study of the Corporation's executive compensation plans. The study examined the total compensation including the fix components (i.e., base salary, pension, benefits and perquisites) and the variable components (i.e., short-term and long-term incentives). The analysis of Mercer indicated that adjustments were required primarily to base salary levels and the long-term incentive plan, as well as pension value. Any adjustments were made from a total compensation perspective. Mercer has suggested modifying the compensation philosophy to progressively align the executive compensation toward a total compensation to the fiftieth percentile for expected performance with an opportunity, conditional on performance, to exceed the fiftieth percentile total compensation (hereinafter in this Circular referred to as the "Target Total Compensation"). Further to such recommendations, the Corporation has decided to gradually align over the following three (3) years the compensation positioning according to the Target Total Compensation scheme proposed by Mercer for the compensation plans of the financial year starting September 1, 2010 ("Mercer Three Year Compensation Plan").

In 2011 and 2012, the Corporation pursued its Mercer Three Year Compensation Plan described above and therefore the Corporation did not conduct any study of the Corporation's executive compensation plans during those two years. The Corporation is planning to conduct such study in 2013 to adjust, as the case may be, its Mercer Three Year Compensation Plan.

In addition, internal pay equity studies are a key factor to complete the compensation review process and indicate where necessary adjustments may be required. During the financial year ended August 31, 2012, this practice continued and certain compensation adjustments were made.

The Human Resources Committee has the authority to retain any independent consultants of its choice to advise its members on total executive compensation policy matters, and to determine the fees and the terms and conditions of the engagement of these consultants. The Human Resources Committee is ultimately responsible for its own decisions, which may take into consideration more than the information and recommendations provided by its compensation consultants or management.

For the financial year that ended on August 31, 2012, the Human Resource Committee retained the services of Mercer for an opinion on CEO compensation. The Corporation also retained the services of Aon, Mercer and Optimum Actuaires & Conseillers Inc. for services non-related to executive compensation. The services provided by Aon concerned the access to compensation data for sales employees. The Corporation consulted Mercer for assistance in maintenance of pay equity for unionized employees and other general inquiries concerning compensation. The services provided by Optimum Actuaires & Conseillers Inc. concerned an analysis on financial impacts of the benefits provided by the Corporation to its employees. Fees for the services performed that are not related to executive compensation are not required to be approved by the Human Resource Committee.

The aggregate fees paid to Aon, Mercer and Optimum Actuaires & Conseillers Inc. for consulting services provided to the Human Resources Committee for services related to determining compensation for any of the Corporation's directors and executive officers and to the Corporation for all other services provided during the financial years ended August 31, 2011 and 2012 are as follows:

Type of Fee	Financial 2011 Fees	Percentage of Financial 2011 Fees	Financial 2012 Fees	Percentage of Financial 2012 Fees
Executive Compensation Related Fees	CA$7,035	43%	CA$1,780	3%
All Other Fees	CA$9,245	57%	CA$57,314	97%
Total	CA$16,280	100%	CA$59,094	100%

Benchmarking

The Target Total Compensation of senior executives has been reviewed with guidance and advice from Mercer, using a peer group of companies as reference point for determining a competitive total compensation package. The comparator group included private and publicly-traded companies evolving in high technologies, telecommunications and durable-manufacturing goods industries. The selection was based on a number of factors including comparable size, similar service business and relationship to the telecommunications and life science industries. For certain executives, we emphasized certain comparative companies more than others in determining total compensation based on the responsibilities of such executives. When drawing comparisons to companies significantly larger than the Corporation, in particular those in the manufacturing goods industry, we did not examine compensation arrangements of the most senior executive of that comparator but instead looked to the roles and responsibilities of individuals within those companies with equivalent business experience.

Mercer used three primary comparator groups in matching the Corporation's incumbent senior executives to positions of similar responsibility within comparable private and publicly-traded companies:

(1) 2009 Mercer Benchmark Database, which contains compensation data for selected Canadian companies with median annual revenues of CA$325 million. The following is a list of the main companies, with a particular emphasis on the high-technology/telecommunications and manufacturing-durable goods industries, servicing industries, revenue categories and geography, used for the purposes of setting 2010 compensation: Arcan Resources Ltd.; Linamar Corporation; Arsenal Energy Inc.; Livingston International; Baytex Energy Trust; Logistec Corporation; Canadian Hydro Developers Inc.; MacDonald, Dettwiler and Associates Corporation – Quebec; Canadian Pacific; Pason Systems Inc.; CE Franklin Ltd.; Precision Drilling Trust; Centerra Gold Inc.; RDM Corporation; Compton Petroleum Corporation; SNC-Lavalin; Computer Modelling Group Ltd.; Softchoice Corp.; Crew Energy Inc.; Stantec Inc.; Enerflex Systems Ltd.; Teck Resources Limited; Labopharm Inc.; TeraGo Networks Inc.; and Velan Inc. Mercer can only disclose the identities of the publicly-traded participating organizations due to confidentiality covenants with survey participants;

(2) 2009 US Mercer Benchmark Database (2,771 participants); and

(3) 2009 UK Mercer Benchmark Database (193 participants), which contains compensation data for companies in all industries of all sizes and scopes. Focuses on companies with revenues lower than CA$500 million.

For the executives based outside Canada, their total compensation was aligned at the median of the local market. Mercer cannot disclose the identities of participating organizations within a specific revenue range due to confidentiality covenants with survey participants. Local laws forbid the disclosure of company names when a sampling of companies is extracted from a local database.

Guiding Principles for Compensation of Executive Officers

The Corporation's executive compensation plans are designed to attract, retain and motivate key executives who directly impact the Corporation's long-term success and the creation of shareholder value. In determining executive compensation, the Human Resources Committee considers the following four principles:

- **Performance-based:** Executive compensation levels reflect both the results of the Corporation and individual results based on specific quantitative and qualitative objectives established at the beginning of each financial year in keeping with the Corporation's long-term strategic objectives.

- **Aligned with shareholder interests:** An important portion of incentive compensation for executives is composed of equity awards to ensure that executives are aligned with the principles of sustained long-term shareholder value growth.

- **Market competitive:** Compensation of executives is designed to be externally competitive when compared against executives of comparable peer companies, and in consideration of the Corporation's results.

- **Individually equitable:** Compensation levels are also designed to reflect individual factors such as scope of responsibility, experience, and performance against individual measures.

Compensation Policies and Practices

In April 2007, the Corporation adopted a Best Practice Regarding the Granting Date of Stock Incentive Compensation. The purpose of this best practice is to ensure that the Corporation complies with securities regulation and avoids the back-dating of equity based incentive compensation. The best practice states that the Corporation shall: (i) grant recurrent equity based incentive compensation pursuant to its Long Term Incentive Plan on the fifth business day following the public release of the Corporation's financial results; and (ii) grant recurrent stock based incentive compensation pursuant to its Deferred Share Unit Plan on the last business day of each quarter.

Risk Assessment of Executive Compensation Program

The Human Resource Committee considers the implications of the risks associated with the Corporation's compensation policies and practices when establishing recommendations for the compensation of executive officers. As such, for the fiscal year ended August 31, 2012, the Human Resource Committee conducted an internal risk assessment for executive compensation. The Committee individually examined the compensation plans for each potential NEO against a list of elements that could trigger executives taking inappropriate or excessive risks. For the financial year ended August 31, 2012, the Human Resources Committee did not identify any risks associated with the Corporation's executive compensation policies and practices that are reasonably likely to have a material adverse effect on the Corporation.

On October 9, 2012 the Human Resource Committee Charter was amended in order to expressly reflect the responsibility of the Human Resources Committee to conduct an annual assessment of the risks associated with the Corporation's executive compensation policies and procedures.

Purchase of Hedging Financial Instruments by an Executive Officer or Director

While the Corporation has not adopted a policy prohibiting or restricting its executive officers and directors from purchasing financial instruments, including prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, that are designated to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the executive officer or director, to management's knowledge, no executive officer or director has purchased any such financial instruments as of November 1, 2012. In addition, according to the Security Trading Policy of the Corporation, executive officers and directors are required to pre-clear with the Corporation's legal counsel any transaction concerning the Corporation's securities, which includes the entering into any of the above-mentioned financial instruments.

Compensation Elements

The key elements of the Corporation's 2012 executive compensation program were (i) base salary, (ii) short-term incentive compensation (by way of the Short-Term Incentive Plan or the Sales Incentive Plan) and (iii) the stock-based incentive compensation delivered through the Long-Term Incentive Plan. In addition, the Corporation has also offered benefit plans and, if applicable, contributed to a Deferred Profit-Sharing Plan or a 401K Plan. To determine appropriate compensation levels for each compensation component, the Human Resources Committee considered all key elements of the executive compensation program. The Human Resources Committee did not assign specific weightings to any key element of the Corporation's 2012 executive compensation program.

Base Salaries

In establishing the base salaries of senior officers, including the President and Chief Executive Officer, the Corporation takes into consideration responsibilities, job descriptions and salaries paid by other similar organizations for positions similar in magnitude, scope and complexity. The Human Resources Committee's objective is to align executive compensation levels with the Target Compensation Positioning offered within a reference market of comparable companies that are similar in size to the Corporation, with a particular focus on those within the high-technology/telecommunications and manufacturing-durable goods industries. The Human Resources Committee reviews the base salary of each executive officer on an annual basis at the beginning of each financial year and recommends that the Board of Directors approve appropriate adjustments, if required, within the salary range in order to maintain a competitive position within the market place.

Short-Term Incentive Compensation

The Short-Term Incentive Plan ("STIP"), or the Sales Incentive Plan ("SIP") for the executive officers that are included within the sales force, provides executive officers with the opportunity to earn annual bonuses based on the Corporation's financial performance and the achievement of strategic corporate and division objectives established on a yearly basis (the "Business Performance Measures") as well as the achievement of individual performance objectives ("Individual Performance Measures"). The Business Performance Measures under the STIP also apply to all other employees of the Corporation, except the sales force, for which the SIP applies.

Annually the Human Resources Committee determines the annual incentive target for each executive officer, being a percentage of the executive's base salary ("Annual Incentive Target"). The Annual Incentive Targets for executive officers eligible for incentive bonuses in the financial year ended August 31, 2012 were established to be progressively in line with the objective of the Human Resources Committee of aligning compensation with the Target Compensation Positioning offered in the reference market. For the most recently ended financial year, the Annual Incentive Target for the NEOs was:

Name & Position	Annual Incentive Target as % of base salary
Germain Lamonde, CEO	65.0%
Pierre Plamondon, CFO	37.5%
Stephen Bull, Vice-President, Research and Development	35.0%
Sylvain Rouleau, Vice-President, Human Capital	25.0% (1)
Dana Yearian, Vice-President, Sales Americas	88.7%

(1) Representing the percentage of the base salary actually received for the financial year ended August 31, 2012.

- Short-Term Incentive Plan

The STIP awards are calculated as follows:

Base Salary X Annual Incentive Target (%) X Business Performance Measures (%) X Individual Performance Measures (%)

At the beginning of each fiscal year, the Human Resources Committee recommends for approval by the Board of Directors the Business Performance Measures that will account for the annual incentive compensation. The following table provides the Business Performance Measures, their weight and result within the overall Business Performance Measures applicable to all executive officers and employees of the Corporation except those executives and employees that are within the sale force:

Business Performance Measure	Weight(3)	Annual Target(4)	Result (%) (3) (4)
Sales (1)	35%	330.8 million	18.4%
EBITDA (1)	25%	42.8 million	5.3%
Gross margin (2)	15%	63.70 %	13.8%
Quality (2)	15%	0.40%	17.2%
On-time delivery (2)	10%	95%	11.1%
	Total 100%		**65.8%**

(1) For sales and EBITDA metrics, results will range from nil to 150% of the weight upon attainment of a minimum of 50% of the annual target and a maximum of 150% of the annual target.
(2) For gross margin, quality and on-time delivery metrics, result will range from nil to 100% of the weight upon attainment of a minimum threshold of 57.7%, 0.7% and 87%, respectively, up to the annual target and from 100% to 150% from the annual target to the maximum threshold of 66.7%, 0.20% and 98%, respectively.
(3) Calculated on a quarterly basis for each of the first three quarters (20% per quarter) and on annual basis at year-end (40%).
(4) Quarterly targets and results are used for the quarterly calculations of the first three quarters mentioned above.

The Individual Performance Measures are determined annually by the executive's supervisor or the Human Resources Committee and approved by the Board of Directors of the Corporation. They are based upon the position, role and responsibilities of each executive within the Corporation, departmental objectives and personal management objectives. At the conclusion of each year, the executive's supervisor or, the Board of Directors evaluates the performance of the executive against the pre-determined objectives and the executive's performance is evaluated by progress, achievements and contributions. The following tables provide for each NEO subject to the STIP an overview of the elements included within the Individual Performance Measures, their weight and result for fiscal year 2012 within the overall Individual Performance Measures:

Germain Lamonde, CEO		
Elements of Individual Performance Measures	**Weight (from 0% to 125%)**	**Result (%)**
Financial		
Corporate revenues	From 0% to 30%	14.84
Corporate EBITDA	From 0% to 20%	0.00
Corporate gross margin	From 0% to 20%	17.38
Strategic		
Corporate Structure	From 0% to 20%	15.00
Establishment and implementation of a three year Strategic Plan	From 0% to 15%	13.00
Increase market presence with wireless customers	From 0% to 10%	10.00
Establishment and implementation of development plans for key executives	From 0% to 10%	6.00
	Total	76.22

Pierre Plamondon, CFO			
Elements of Individual Performance Measures		**Weight (from 0% to 125%)**	**Result (%)**
Profitability and cash management	Weight	From 0% to 30%	21.10
Adjusted EBITDA	30%		
Controls on operating expenses	20%		
Maximizing cash flows from operations	30%		
Controls on the Corporation's corporate G&A expenses	20%		
Information Technology and Information Management	Weight	From 0% to 27.5%	24.00
Delivering management information for the Corporation's business.	35%		
Delivering Contribution Margin information	25%		
Improving information technology security risk management	25%		
Assuring efficient transition to IFRS	15%		
Financial Integrity & Risk Management	Weight	From 0% to 25%	25.00
Maintaining the highest standard of integrity and compliance in the Corporation's financial reporting	40%		
Reporting and addressing pro-actively risks and issues of any sorts that might adversely affect the Corporation	35%		
Attaining SOX-404 certification	25%		
Strategic Contribution	Weight	From 0% to 22.5%	18.60
Delivering the Strategies and Objectives under the NEO's responsibility as set forth in the Corporation's strategic plan	50%		
Contributing to the Corporation's annual review of the strategic plan	50%		
Contribution to Mergers & Acquisitions Activities	Weight	From 0% to 20%	17.00
Strategic contribution to the Mergers & Acquisitions process	50%		
Establishment and implementation of adequate and efficient tools, systems and controls in all acquired targets	50%		
		Total	105.70

Stephen Bull, Vice-President Research and Development			
Elements of Individual Performance Measures		**Weight (from 0% to 125%)**	**Result (%)**
R&D throughput and Return on Investment ("ROI")	Weight	From 0% to 35%	19.95
Maximizing R&D throughput	30%		
Contributing to improving ROI, reducing cost of goods ("COG") and Cost Reduction Activities	20%		
Improving team contribution and motivation	20%		
Implementing a corporate program management	20%		
R&D voluntary employee turnover rate in India	10%		
Contribution to profitability	Weight	From 0% to 30%	26.19
Corporate gross margin	60%		
Establishment and implementation of a three years Cost Reduction Plan within the Corporation's strategic plan	40%		

Stephen Bull, Vice-President Research and Development			
Elements of Individual Performance Measures		**Weight (from 0% to 125%)**	**Result (%)**
Strategic Contribution	Weight	From 0% to 30%	23.10
Delivering the Strategies and Objectives under the NEO's responsibility as set forth in the Corporation's strategic plan	50%		
Contributing to continuous improvement on security of strategic confidential information and intellectual property within the Corporation	30%		
Increase the competitiveness of the R&D team	20%		
Improving Customer Satisfaction	Weight	From 0% to 30%	14.85
Achieving the corporate quality indicator	30%		
Improve customer feedbacks closing time	25%		
Improve software quality for all products and solutions	25%		
Respecting projects & programs schedules	20%		
		Total	84.09

For Mr. Sylvain Rouleau, who holds the position of Vice-President Human Capital since January 23, 2012, it was agreed not to establish any personal objectives for the fiscal year ended August 31, 2012. Objectives for the financial year ending August 31, 2013 and subsequent years will be established for this NEO. Therefore, Mr. Rouleau's STIP award for the financial year ending August 31, 2012 is calculated as follows:

Base Salary X Annual Incentive Target (%) X Business Performance Measures (%)

- The Sales Incentive Plan

The SIP objectives for executive officers in the sales force are aimed to reward five elements: two elements are shareholder oriented (sales and contribution margins), one is based on personal objectives, one is based on product lines objectives and one is based on specific incentives. The objectives are determined by the executive's supervisor and are for the territory under the executive's supervision. The following tables outline the SIP objectives for each NEO who is within the sales force:

Dana Yearian, Vice-President Sales Americas:

Business Performance Measure	Revenue Target (US$)	Result (US$)
Bookings Commissions (1)	80,000	72,159
Contribution Margin Commissions (2)	80,000	59,194
Personal objective (Quarterly Bonus on Sales) (3)	Q1 2,500 Q2 2,500 Q3 2,500 Q4 2,500	5,824
Products Lines Sales Bonus (4)	10,000	5,293
Tier 1 Operators accelerator commissions (5)	10,000	7,381
	TOTAL	149,851

(1) The compensation rate for the attainment of revenue targets for the territory of the Americas is equal to the Revenue Target of commission on the total bookings quotas defined at the beginning of the financial year. A lower commission rate is applied for less than 70% of the attainment of the bookings quotas. Another rate is applied from 70% to 100% of the attainment of the bookings quotas. An accelerator is applied after attaining 100% of the bookings quotas.

(2) The commission rate for the attainment of the contribution margin targets for the territory of the Americas is equal to the revenue target of commission on the contribution margins objectives defined at the beginning of the financial year. Such commission rate is used for all margins up to 100% attainment of the objective and an accelerator is applied after 100% attainment of the objective.

(3) The compensation for personal objectives is based on the quarterly achievement of the sales bookings within the territory of the Americas. A commission rate is applied from 50% to 100% of the attainment of the objective. An accelerator is applied after attaining 100% of the objective.
(4) The compensation for products lines sales objectives is based on the achievement within such products lines of annual sales bookings for the territory of the Americas. A commission rate is applied for each products line from 50% to 100% of the attainment of such products lines objectives. An accelerator for each products line is applied after attaining 100% of the products lines objectives.
(5) Annually the Corporation determines a list of Tier 1 Operators for the territory of the Americas for which the NEO will be specifically commissioned. A commission rate is applied from 0% to 100% of the attainment of the objective. An accelerator is applied after attaining 100% of the objective.

Long-Term Incentive Compensation

- ***Long-Term Incentive Plan***

The principal component of the long-term incentive compensation offered by the Corporation is made up of the Long-Term Incentive Plan (the "LTIP") for directors, officers, employees and consultants of the Corporation and its subsidiaries.

Introduced in May 2000, amended in October 2004 and effective as of January 2005, the LTIP, is designed to provide directors, officers, employees and consultants with an incentive to create value and accordingly ensures that their interests are aligned with those of the Corporation's shareholders and to further attract, motivate and retain all of its employees, including the NEOs. The LTIP is subject to Human Resources Committee review to ensure maintenance of its market competitiveness. The Board of Directors has full and complete authority to interpret the LTIP and to establish the rules and regulations applying to it and to make all other determinations it deems necessary or useful for the administration of the LTIP, provided that such interpretations, rules, regulations and determinations are consistent with the rules of all stock exchanges on which the securities of the Corporation are then traded and with all applicable securities legislation and regulations.

The LTIP provides for the issuance of options to purchase Subordinate Voting Shares and the issuance of Restricted Share Units ("RSUs") redeemable for actual Subordinate Voting Shares or the equivalent in cash to directors, officers, employees and consultants. The Board of Directors upon recommendation of the Human Resources Committee designates the recipients of options or RSUs and determines the number of Subordinate Voting Shares covered by each option or RSU, the dates of vesting, the expiry date and any other conditions relating to these options or RSUs, in each case in accordance with the applicable legislation of the securities regulatory authorities. During the financial year ended August 31, 2012, target awards for eligible officers under the LTIP were established to be in line with the objective of the Human Resources Committee to align compensation with the Target Compensation Positioning offered in the reference market. Each NEO is entitled to receive annually RSUs in accordance with the following policy:

Name & Position	Grant Levels [(1)] (% of base salary)
Germain Lamonde, CEO	70%
Pierre Plamondon, CFO	40%
Stephen Bull, Vice-President, Research and Development	40%
Sylvain Rouleau, Vice-President, Human Capital	30% [(2)]
Dana Yearian, Vice-President, Sales Americas	40%

(1) Actual grant value may differ from the grant level guidelines as the stock price may vary between the time of the grant and its approval.
(2) Representing the percentage of the base salary actually received for the financial year ended August 31, 2012.

RSU awards are based on the expected impact of the role of the executive officer on the Corporation's performance and strategic development as well as market benchmarking. The Human Resources Committee undertakes an analysis from time to time to determine the possible payouts from the LTIP under various scenarios and at various levels of share price growth to ensure that the LTIP is aligned with the interests of the Corporation's shareholders.

RSUs are also used to attract and retain top executives, as well as in business acquisitions. For the year ended August 31, 2012, the Corporation determined the number of RSUs granted to each executive officer according to their individual contribution, specifically with respect to additional responsibilities as the case may be. As disclosed under the section "Summary Compensation Table" hereof, the NEOs were granted RSUs during the last financial year. The purpose of the grants was to focus the executives on developing and successfully implementing the continuing growth strategy of the Corporation and to align the executives with the principles of sustained long-term shareholder value growth. The grants were also considered to contribute to the Corporation's objective to align the compensation of the executives with the reference market. The Corporation did not take into account the amount and terms of outstanding options or RSUs or the restrictions on resale of such units, when determining the grants mentioned above.

The exercise price of the options is determined by the Board of Directors at the time of granting the options, subject to compliance with the rules of all stock exchanges on which the Subordinate Voting Shares are listed and with all applicable securities legislation and regulation. In any event, the exercise price may not be lower than the highest of the closing prices of the Subordinate Voting Shares on the Toronto Stock Exchange and the NASDAQ National Market on the last trading day preceding the grant date, using the noon buying rate of the Federal Reserve Bank of New York (for grants of options prior to January 1, 2009) or the Bank of Canada (for grants of options on or after January 1, 2009) on the grant date to convert the NASDAQ National Market closing price to Canadian dollars. Any option issued is non-transferable. At August 31, 2012, there were a total of 244,354 options granted to all LTIP participants and outstanding pursuant to the LTIP having a weighted average exercise price of US$4.02 (CA$5.25) per option.

The fair value at the time of grant of an RSU is equal to the market value of Subordinate Voting Shares at the time the RSU is granted. The grant date market value is equal to the highest of the closing prices of the Subordinate Voting Shares on the Toronto Stock Exchange and the NASDAQ National Market on the last trading day preceding the grant date, using the noon buying rate of the Federal Reserve Bank of New York (for grants of RSUs prior to January 1, 2009) or the Bank of Canada (for grants of RSUs on or after January 1, 2009) on the grant date to convert the NASDAQ National Market closing price to Canadian dollars. At the end of financial year ended August 31, 2012, there were a total of 1,337,730 RSUs granted and outstanding pursuant to the LTIP having a weighted average fair value at the time of grant of US$4.91 (CA$5.18) per RSU.

The maximum number of Subordinate Voting Shares that are issuable under the LTIP shall not exceed 6,306,153 Subordinate Voting Shares, which represents 10.4% of the Corporation's issued and outstanding voting shares as of November 1, 2012. The maximum number of Subordinate Voting Shares that may be granted to any one individual shall not exceed 5% of the number of outstanding Subordinate Voting Shares, which represents 1,441,076 issued and outstanding Subordinate Voting Shares as of November 1, 2012.

Some options granted to directors and employees vest on the first anniversary date of their grant. Some options granted in the financial years ended August 31, 2004 and 2005 vested at a rate of 12.5% six (6) months after the date of grant, 12.5% twelve (12) months after the date of grant and 25% annually thereafter commencing on the second anniversary date of the grant in October 2005. Otherwise all options vest at a rate of 25% annually commencing on the first anniversary date of the grant. All options may be exercised in whole or in part once vested. All of the options that are granted under the LTIP must be exercised within a maximum period of ten (10) years following the date of their grant or they will be forfeited.

The vesting dates of RSUs are subject to a minimum term of three years and a maximum term of ten years from the award date. The following table presents, for the last five (5) financial years, the RSUs granted and their respective vesting schedule.

Financial year ended	Grant Date	RSUs granted (#)	Fair Value at the Time of Grant (US$/RSU)	Vesting schedule
August 31, 2012	October 18, 2011	23,000	5.43	50% on each of the third and fourth anniversary dates of the grant.
	January 17, 2012	8,321	6.61	
	January 18, 2012	122,000	6.47	
	January 23, 2012	7,576	6.55	
	April 3, 2012	2,571	7.06	
	October 18, 2011	163,651	5.43	100% on the fifth anniversary date of the grant subject to early vesting of up to 1/3 on the third anniversary date of the grant and up to 50% of the remaining units on the fourth anniversary date of the grant if performance objectives namely related to long-term growth of revenue and profitability, as determined by the Board of Directors of the Corporation are fully attained.
	January 23, 2012	6,330	6.55	100% on the fifth anniversary date of the grant subject to early vesting of up to 1/3 on the third anniversary date of the grant and up to 50% of the remaining units on the fourth anniversary date of the grant if performance objectives namely related to long-term growth of revenue and profitability, as determined by the Board of Directors of the Corporation are fully attained.
	April 3, 2012	1,429	7.06	100% on the fifth anniversary date of the grant subject to early vesting of up to 1/3 on the third anniversary date of the grant and up to 50% of the remaining units on the fourth anniversary date of the grant if performance objectives namely related to long-term growth of revenue and profitability, as determined by the Board of Directors of the Corporation are fully attained.
August 31, 2011	October 19, 2010	30,250	6.03	50% on each of the third and fourth anniversary dates of the grant.
	January 19, 2011	119,900	9.32	
	April 7, 2011	7,297	8.28	
	April 18, 2011	8,226	8.64	
	October 19, 2010	56,361	6.03	100% on the fifth anniversary date of the grant subject to early vesting of up to 100% on the third or fourth anniversary date of the grant when performance objectives related to revenue, as determined by the Board of Directors of the Corporation, are fully attained.
	October 19, 2010	128,348	6.03	100% on the fifth anniversary date of the grant subject to early vesting of up to 1/3 on the third anniversary date of the grant and up to 50% of the remaining units on the fourth anniversary date of the grant if performance objectives namely related to long-term growth of revenue and profitability, as determined by the Board of Directors of the Corporation, are fully attained.
August 31, 2010	October 20, 2009	36,500	3.74	50% on each of the third and fourth anniversary dates of the grant.
	January 19, 2010	130,000	5.13	
	April 7, 2010	37,900	5.68	
	April 7, 2010	6,155	5.68	1/3 on the third, fourth and fifth anniversary dates of the grant.
	July 7, 2010	3,759	5.32	
	October 20, 2009	174,686	3.74	100% on the fifth anniversary date of the grant subject to early vesting of up to 1/3 on the third anniversary date of the grant and up to 50% of the remaining units on the fourth anniversary date of the grant if performance objectives namely related to long-term growth of revenue and profitability, as determined by the Board of Directors of the Corporation, are fully attained.
	April 7, 2010	7,575	5.68	
	July 7, 2010	18,963	5.32	
August 31, 2009	October 22, 2008	71,003	2.36	50% on each of the third and fourth anniversary dates of the grant.
	January 20, 2009	243,700	3.22	
	April 7, 2009	11,000	3.52	
	July 8, 2009	3,000	2.99	100% after 3 years of the grant date.
	January 20, 2009	5,000	3.22	1/3 on the third, fourth and fifth anniversary dates of the grant.
	October 22, 2008	216,685	2.36	100% on the fifth anniversary date of the grant subject to early vesting of up to 1/3 on the third anniversary date of the grant and up to 50% of the remaining units on the fourth anniversary date of the grant if performance objectives namely related to long-term growth of revenue and profitability, as determined by the Board of Directors of the Corporation, are fully attained.
	October 22, 2008	135,584	2.36	100% after 3 years of the grant date if performance is achieved (long-term growth of revenue and profitability). Otherwise 100% vested after 5 years of the grant date.

Financial year ended	Grant Date	RSUs granted (#)	Fair Value at the Time of Grant (US$/RSU)	Vesting schedule
August 31, 2008	October 23, 2007	29,000	6.28	50% on each of the third and fourth anniversary dates of the grant.
	January 15, 2008	76,200	4.16	
	April 8, 2008	21,600	6.09	
	April 22, 2008	185,570	5.82	
	July 7, 2008	71,310	4.39	
	October 23, 2007	86,167	6.28	100% on the fifth anniversary date of the grant subject to early vesting of up to 1/3 on the third anniversary date of the grant and up to 50% of the remaining units on the fourth anniversary date of the grant if performance objectives namely related to long-term growth of revenue and profitability, as determined by the Board of Directors of the Corporation, are fully attained.

If any vesting dates fall into any black-out period or any other restrictive period during which the RSU holder is not entitled to trade the Corporation's Subordinate Voting Shares, the RSUs shall: (i) vest on the fifth trading day the RSU holder is entitled to trade after such black-out period or restrictive period or (ii) if the RSU holder decides, prior to such vesting date, to pay his/her income tax without using any of the Subordinate Voting Shares' proceeds, then and only then, the vesting date shall remain the one determined on the granting date for such RSUs.

With the exceptions mentioned under the section entitled "termination and change of control", any option granted pursuant to the LTIP will lapse (i) immediately upon the termination of the relationship with the Corporation or one of its subsidiaries for a good and sufficient cause for employees or officers or at the date on which an employee or an officer resigns or leaves his employment with the Corporation or one of its subsidiaries (or within 30 days if the holder's employment is terminated for reasons not related to cause); and (ii) 30 days after a director ceases to be a member of the Board of Directors of the Corporation or one of its subsidiaries. In the event of retirement or disability, any option held by an employee lapses 30 days after the date of any such disability or retirement. In the event of death, any option held by the optionee lapses 6 months after the date of death.

With the exceptions mentioned under the section entitled "termination and change of control", any RSU granted pursuant to the LTIP will lapse (i) immediately, where vesting of a unit is subject to the attainment of performance objectives, if such performance objectives have not been attained (or postponed at a further vesting date as determined by the Board of Directors); and (ii) immediately, whether or not subject to attainment of performance objectives, upon the termination of the relationship with the Corporation or one of its subsidiaries for a good and sufficient cause for employees or officers or at the date on which an employee or an officer resigns or leaves his employment with the Corporation or one of its subsidiaries.

Any RSU granted pursuant to the LTIP will vest immediately, to a certain proportion as determined by the Plan, upon the termination of the relationship of an employee or officer with the Corporation or one of its subsidiaries (i) for reasons not related to cause; (ii) because of death or permanent disability; and (iii) retirement.

- ***Restricted Share Unit Grants in Last Financial Year***

The aggregate number of RSUs granted during the financial year ended August 31, 2012 was 334,878 having a weighted average fair value at the time of grant of US$5.90 (CA$5.99) per RSU. The fair value at the time of grant of a RSU is equal to the market value of Subordinate Voting Shares at the time RSUs are granted. At August 31, 2012, there were a total of 1,337,730 RSUs granted and outstanding pursuant to the LTIP having a weighted average fair value at the time of grant of US$4.91 (CA$5.18) per RSU.

The RSUs may be redeemed for actual Subordinate Voting Shares or the equivalent in cash at the discretion of the Board of Directors of the Corporation on the vesting dates established by the Board of Directors of the Corporation at the time of grant in its sole discretion.

Therefore, the value at vesting of a RSU, when converted to Subordinate Voting Shares, is equivalent to the market value of a Subordinate Voting Share at the time the conversion takes place and is taxable as employment income. The table above shows information regarding RSU grants made under the LTIP during the financial year ended August 31, 2012.

During the financial year ended August 31, 2012, the following RSUs were granted to the following NEOs:

Name	RSUs granted (#)	Percentage of Total RSUs Granted to Employees in Financial Year (%) (1)	Fair Value at the Time of Grant (US$/RSU) (2)	Grant Date	Vesting schedule (3)
Germain Lamonde	53,261	15.90%	5.43	October 18, 2011	100% on the fifth anniversary date of the grant subject to early vesting up to 1/3 on the third anniversary date of the grant and up to 50% of the remaining units on the fourth anniversary date of the grant if performance objectives namely related to long-term growth of revenue and profitability, as determined by the Board of Directors of the Corporation are fully attained. (4)
Pierre Plamondon	17,325	5.17%	5.43	October 18, 2011	100% on the fifth anniversary date of the grant subject to early vesting up to 1/3 on the third anniversary date of the grant and up to 50% of the remaining units on the fourth anniversary date of the grant if performance objectives namely related to long-term growth of revenue and profitability, as determined by the Board of Directors of the Corporation are fully attained. (4)
Stephen Bull	15,490	4.63%	5.43	October 18, 2011	100% on the fifth anniversary date of the grant subject to early vesting up to 1/3 on the third anniversary date of the grant and up to 50% of the remaining units on the fourth anniversary date of the grant if performance objectives namely related to long-term growth of revenue and profitability, as determined by the Board of Directors of the Corporation are fully attained. (4)
Sylvain Rouleau	7,576	2.26%	6.55	January 23, 2012	50% after 3 and 4 years of the grant date.
	6,330	1.89%	6.55	January 23, 2012	100% on the fifth anniversary date of the grant subject to early vesting up to 1/3 on the third anniversary date of the grant and up to 50% of the remaining units on the fourth anniversary date of the grant if performance objectives namely related to long-term growth of revenue and profitability, as determined by the Board of Directors of the Corporation are fully attained. (4)
Dana Yearian	15,322	4.58%	5.43	October 18, 2011	100% on the fifth anniversary date of the grant subject to early vesting up to 1/3 on the third anniversary date of the grant and up to 50% of the remaining units on the fourth anniversary date of the grant if performance objectives namely related to long-term growth of revenue and profitability, as determined by the Board of Directors of the Corporation are fully attained. (4)

(1) Such percentage does not include any cancelled RSUs.

(2) The fair value at the time of grant of a RSU is equal to the market value of Subordinate Voting Shares at the time RSUs are granted. The grant date market value is equal to the highest of the closing prices of the Subordinate Voting Shares on the Toronto Stock Exchange and the NASDAQ National Market on the last trading day preceding the grant date, using the noon buying rate of the Bank of Canada on the grant date to convert the Toronto Stock Exchange closing price to United States dollars.

(3) All RSUs first vesting cannot be earlier than the third anniversary date of their grant.

(4) Those RSUs granted in the financial year ended August 31, 2012 vest on the fifth anniversary date of the grant but are subject to early vesting on the third and fourth anniversary date of the grant on the attainment of performance objectives, as determined by the Board of Directors of the Corporation. Accordingly, subject to the attainment of performance objectives, the first early vesting is up to 1/3 of the units on the third anniversary date of the grant and the second early vesting is up to 50% of the remaining units on the fourth anniversary date of the grant. The early vesting shall be subject to the attainment of performance objectives. Such performance objectives are based on the attainment of a sales growth metric combined with profitability metric. The sales growth metric is determined by the Compound Annual Growth Rate of sales of the Corporation for the period (SALES CAGR). The profitability metric is determined as the Cumulative Corporation's IFRS net earnings before interest, income taxes, depreciation of property, plant and equipment, amortization of intangible assets, foreign exchange gain or loss, change in fair value of cash contingent consideration, and extraordinary gain or loss over the Cumulative Sales for the same period (LTIP EBITDA). Accordingly, the first early vesting performance objectives will be attained, calculated on a pro-rated basis as follows: i) 100% for a SALES CAGR of 20% or more and 0% for a SALES CAGR of 5% or less for the three-year period ending on August 31, 2014, cumulated with ii) 100% for a LTIP EBITDA of 15% and 0% for a LTIP EBITDA of 7.5% or less for the three-year period ending on August 31, 2014. The second early vesting performance objectives will be attained on the same premises as described above but for the four-year period ending on August 31, 2015.

The following table summarizes information about RSUs granted to the members of the Board of Directors and to Management and Corporate Officers of the Corporation and its subsidiaries as at August 31, 2012:

	Number of RSUs (#)	% of Issued and Outstanding RSUs	Weighted Average Fair Value at the Time of Grant ($US/RSU)
President and CEO (one individual)	228,920	17.11%	4.54
Board of Directors (five individuals) (1)	–	–	–
Management and Corporate Officers (ten individuals)	532,473	39.80%	4.29

(1) Six individuals from September 1, 2011 until January 12, 2012.

Option Grants in Last Financial Year

There were no options to purchase the Corporation's Subordinate Voting Shares granted during the financial year ended August 31, 2012. At August 31, 2012, there were a total of 244,354 Subordinate Voting Shares covered by options granted and outstanding pursuant to the LTIP having a weighted average exercise price of US$4.02 (CA$5.25) per option.

The following table summarizes information about stock options granted to the members of the Board of Directors, and to Management and Corporate Officers of the Corporation and its subsidiaries as at August 31, 2012:

	Number of Options (#)	% of Issued and Outstanding Options	Weighted Average Exercise Price ($US/Security)
President and CEO (one individual)	29,160	11.93%	4.61
Board of Directors (one individual)	12,500	5.12%	4.65
Management and Corporate Officers (two individuals)	14,494	5.93%	4.98

- ***Deferred Share Unit Plan***

Introduced in October 2004 and effective as of January 2005, the Corporation's Deferred Share Unit plan (the "Deferred Share Unit Plan") is designed to align more closely the interests of the Corporation's non-employee directors with those of its shareholders.

Under the Deferred Share Unit Plan, non-employee directors may elect to receive up to 100% of their retainer fees in the form of DSUs, each of which has an estimated value determined based on the highest of the closing prices of the Subordinate Voting Shares on the Toronto Stock Exchange and the NASDAQ National Market on the last trading day preceding the grant date, using the noon buying rate of the Federal Reserve Bank of New York (for grants of DSUs prior to January 1, 2009) or the Bank of Canada (for grants of DSUs on or after January 1, 2009) on the grant date to convert the NASDAQ National Market closing price to Canadian dollars, as required. The value at vesting of a DSU is equivalent to the market value of a Subordinate Voting Share when a DSU is converted to such Subordinate Voting Share. DSUs attract dividends in the form of additional DSUs at the same rate as dividends on Subordinate Voting Share. When a director ceases to be a member of the Board of Directors, the DSUs are either converted and paid in Subordinate Voting Shares purchased on the open market or issued by the Corporation. Such Subordinate Voting Shares issued by the Corporation will be issued from the same pool of Subordinate Voting Shares reserved for issuance pursuant to the LTIP, which is 10.4% of the total issued and outstanding voting shares.

- ***Deferred Share Unit Grants in Last Financial Year***

The aggregate number of DSUs credited to non-employee directors during the financial year ended August 31, 2012 was 22,792. The estimated value at the time of grant of a DSU is determined based on the highest of the closing prices of the Subordinate Voting Shares on the Toronto Stock Exchange and the NASDAQ National Market on the last trading day preceding the grant date, using the noon buying rate of the Federal Reserve Bank of New York (for grants of DSUs prior to January 1, 2009) or the Bank of Canada (for grants of DSUs on or after January 1, 2009) on the grant date to convert the NASDAQ National Market closing price to Canadian dollars, as required. The value at vesting of a DSU is equivalent to the market value of the Subordinate Voting Shares when a DSU is converted to such Subordinate Voting Shares. As at August 31, 2012, there were a total of 133,090 DSUs credited to directors pursuant to the Deferred Share Unit Plan having a weighted average fair value at the time of grant of US$5.10 (CA$5.49).

During the financial year ended August 31, 2012, the following DSUs were granted to the non-employee members of the Board of Directors:

DSUs #	Weighted Average Fair Value at the Time of Grant (US$/DSU)	Total of the Fair Value at the Time of Grant (US$)	Vesting
22,792	5.86	133,561	At the time director ceases to be a member of the Board of Directors of the Corporation

The following table summarizes information about DSUs granted to the non-employee members of the Board of Directors as at November 1, 2012:

	Number of DSUs (#)	% of Issued and Outstanding DSUs	Total of the Fair Value at the Time of Grant (US$)	Weighted Average Fair Value at the Time of Grant (US$/DSU)
Board of Directors (five individuals)	133,090	100%	678,956	5.10

- ***Number of Subordinate Voting Shares Reserved for Future Issuance***

During the financial year ended August 31, 2012, 22,792 DSUs and 334,878 RSUs were granted to directors, officers and employees. Such awards were issued from the pool of Subordinate Voting Shares reserved for issuance pursuant to the LTIP and the Deferred Share Unit Plan of which the maximum number of Subordinate Voting Shares issuable shall not exceed 6,306,153, which represents 10.4% of the Corporation's issued and outstanding voting shares as at November 1, 2012. As at November 1, 2012, the number of Subordinate Voting Shares reserved for future issuance is 2,122,362 representing 3.5% of the Corporation's issued and outstanding voting shares as at November 1, 2012.

- ***Stock Appreciation Rights Plan***

On August 4, 2001, the Corporation established a Stock Appreciation Rights Plan ("SAR Plan"), as amended on January 12, 2010, for the benefit of certain employees residing in countries where the granting of stock-based compensation under the LTIP is not feasible in the opinion of the Corporation. The Board of Directors has full and complete authority to interpret the SAR Plan and to establish the rules and regulations applying to it and to make all other determinations it deems necessary or useful for the administration of the SAR Plan.

Under the SAR Plan, eligible employees are entitled to receive a cash amount equivalent to the difference between the market price of the Subordinate Voting Shares on the date of exercise or the date of vesting and the exercise price determined on the date of grant. No Subordinate Voting Shares are issuable under the SAR Plan.

The Board of Directors has delegated to Management the task of designating the recipients of stock appreciation rights, the date of exercise or vesting, the expiry date and other conditions. Under the terms of the SAR Plan, the exercise price determined on the date of grant of the stock appreciation right is equal to zero if the stock appreciation right is to reflect a RSU under the LTIP or, if the stock appreciation right is to reflect an option under the LTIP, the exercise price determined on the date of grant may not be lower than the highest of the closing prices of the Subordinate Voting Shares on the Toronto Stock Exchange and on the NASDAQ National Market on the last trading day preceding the grant date, using the noon buying rate of the Bank of Canada on the grant date to convert the NASDAQ National Market closing price to Canadian dollars. Stock appreciation rights are non-transferable.

The stock appreciation rights, reflecting an option under the LTIP, vest over a four-year period, with 25% vesting annually commencing on the first anniversary date of the date of grant. However, since October 2007, some stock appreciation rights, representing an option under the LTIP, vest at a rate of 50% annually commencing on the third anniversary date of the grants made in October 2007, October 2008 and October 2009.

For stock appreciation rights, reflecting an option under the LTIP, once vested, such right may be exercised between the second and the fifteenth business day following each release of the Corporation's quarterly financial results and will lapse immediately upon the termination of the relationship with the Corporation or one of its subsidiaries for a good and sufficient cause or at the date on which an employee resigns or leaves his employment with the Corporation or one of its subsidiaries (or within 30 days if the holder is dismissed without cause). In the event of retirement or disability, any stock appreciation right held by an employee lapses 30 days after the date of any such disability or retirement. In the event of death, any stock appreciation right lapses six months after the date of death.

The stock appreciation rights, reflecting a RSU under the LTIP, vest at a rate of 50% annually commencing on the third anniversary date of the date of grants made in October 2010, October 2011 and October 2012.

The stock appreciation rights, reflecting a RSU under the LTIP, will: i) lapse immediately upon the termination of the relationship with the Corporation or one of its subsidiaries for a good and sufficient cause or at the date on which an employee resigns or leaves his employment with the Corporation or one of its subsidiaries; and ii) vest immediately, to a certain proportion as determined by the SAR Plan, upon the termination without cause of the relationship of an employee with the Corporation or one of its subsidiaries.

All of the stock appreciation rights that are granted under the SAR Plan may be exercised within a maximum period of 10 years following the date of their grant.

The following table summarizes information about Stock Appreciation Rights ("SARs") exercised during the financial year ended August 31, 2012:

Number of SARs exercised	Aggregate Value Realized (US$) (1)
–	–

(1) The aggregate value realized is equivalent to the market value of the securities underlying the SARs at exercise. This value, as the case may be, has been converted from Canadian dollars to U.S. dollars based on the noon buying rate of the Bank of Canada on the day of exercise.

During the financial year ended August 31, 2012, 4,000 SARs were granted to employees. As at November 1, 2012, there were 36,124 SARs outstanding.

Benefits and Perquisites

Certain employees of the Corporation, including the NEOs, are eligible to participate in the Corporation's benefits programs, which may include life insurance, extended health and dental coverage, short and long-term disability coverage, accidental death and dismemberment (AD&D) compensation and emergency travel assistance. Although the majority of costs of the benefits are paid by the Corporation, employees (including the NEOs) may also be required to contribute to obtain such benefits.

With the exception of car allowances that are provided to the Corporation's CEO and Vice-Presidents of Sales, executive officers, including other NEOs, do not receive any perquisites. The value of the perquisites for each of the NEOs, if applicable, is less than $50,000 or 10% of total annual salary and bonus for the financial year and, as such, is not included in the table provided under the heading "Summary Compensation Table" and in the table provided under the heading "Termination and Change of Control Benefits".

Deferred Profit-Sharing Plan

The Corporation maintains a deferred profit-sharing plan ("DPSP") for certain eligible Canadian resident employees, including NEOs but excluding the Corporation's CEO, under which the Corporation may elect to contribute an amount equal to 3% (2% prior to January 2011) of an employee's gross salary, provided that the employee has contributed at least 3% (2% prior to January 2011) of his gross salary to a tax-deferred registered retirement savings plan. Cash contributions, for eligible employees to this plan, and expenses for the years ended August 31, 2010, 2011 and 2012 amounted to US$592,000, US$911,000 and US$1,178,000, respectively. The amounts contributed to the DPSP are invested at the employee's will in the investment vehicles offered by Standard Life, the Corporation's fund administrator. Withdrawals of funds from the DPSP account are not permitted. In the event of termination of the employment, if the employee has been a member of the DPSP for more than two years, the employee is entitled to receive the funds accumulated in his DPSP account.

401K Plan

The Corporation maintains a 401K plan for eligible United States resident employees of its subsidiaries. Employees become eligible to participate in the 401K plan on the date they are hired. Under this plan, the Corporation must contribute an amount equal to 3% of an employee's current compensation. In addition, employees may elect to defer their current compensation up to the lesser of 1% of eligible compensation or the statutorily prescribed annual limit and have the deferral contributed to the 401K plan. The 401K plan permits, but does not require the Corporation to make additional matching contributions to the 401K plan on behalf of the eligible participants, subject to a maximum of 50% of the first 6% of the participant's current compensation subject to certain legislated maximum contribution limits. The Corporation contributes up to 3% of the participant's current compensation, subject to certain legislated maximum contribution limits. In the years ended August 31, 2010, 2011 and 2012, the Corporation made aggregate contributions of US$525,000, US$680,000 and US$693,000 respectively, to the 401K plan. Contributions by participants or by the Corporation to the 401K plan and income earned on plan contributions are generally not taxable to the participant until withdrawn and contributions by the Corporation are generally deductible by the Corporation when made. At the direction of each participant, the trustees of the 401K plan invest the assets of the 401K plan in selected investment options. As at August 31, 2012, the Corporation made aggregate contributions of US$4,184,000 to the 401K plan. A participant may have access to the assets of the plan under the following limited circumstances: (i) termination of employment; (ii) permitted withdrawals; and (iii) limited loans.

2012 Performance and Compensation

Compensation for the NEOs is awarded through the Corporation's executive compensation plan, which aligns compensation with key strategic objectives and individual performance. The Corporation has established a Business Performance Measures outlining key performance indicators which is applicable to all employees. You will find more information on such indicators under the heading "Short-Term Incentive Compensation". These performance indicators focus efforts, communicate priorities and enable performance to be benchmarked.

The following table highlights the NEOs early vesting achievement in accordance with the Corporation's LTIP:

Long-Term Incentive Plan (LTIP) - RSUs		
Date of Grant	**Vesting Date**	**% of early vesting achievement** [(1)]
October 22, 2008	October 22, 2012	8%
October 22, 2008	October 22, 2012	0%
October 20, 2009	October 22, 2012	39%

(1) The vesting schedules are provided in the table under the heading "Long-Term Incentive Plan".

CEO Performance Compensation during Last Three Fiscal Years

The following table compares the compensation awarded to Mr. Lamonde in respect of his performance as CEO to the Total Market Capitalization Growth for the last three fiscal years. The compensation includes base salary, short-term incentive payments, as well as long-term incentive payments at grant date pursuant to the LTIP.

Compensation Elements	**2012**	**2011**	**2010**	**3-Year Total**
Cash				
Base Salary	CA$441,000	CA$420,000	CA$400,000	CA$1,261,000
Short-term incentive	CA$143,784	CA$216,626	CA$257,127	CA$617,537
Equity				
Long-term incentive	CA$294,001 (1)	CA$280,003 (1)	CA$259,698 (1)	CA$833,702 (1)
Total Direct Compensation	CA$878,785	CA$916,629	CA$916,825	CA$2,712,239
Pension Value	–	–	–	–
All Other Compensation	–	–	–	–
Total Compensation	CA$878,785	CA$916,629	CA$916,825	CA$2,712,239
Annual Average	–	–	–	CA$940,080
Total Market Capitalization Growth (CA$ millions)	(105.6) (2)	40.8 (2)	156.2 (2)	91.4 (2)
Total Cost as a % of Market Capitalization Growth	(0.8)%	2.2%	0.6%	3.0%

(1) Indicates the dollar amount based on the grant date fair value of the RSUs awarded under the LTIP for the financial year. The grant date fair value is equal to the highest of the closing prices of the Subordinate Voting Shares on the Toronto Stock Exchange and the NASDAQ National Market on the last trading day preceding the grant date, using the noon buying rate of the Bank of Canada on the grant date to convert the NASDAQ National Market closing price to Canadian dollars. Grants of RSUs to NEOs are detailed under section "Compensation Discussion & Analysis – Long-Term Incentive Plan".

(2) Includes the redemption of 3,600, nil and 438,894 Subordinate Voting Shares respectively in fiscal 2010, 2011 and 2012 under the normal course issuer bid and substantial issuer bid of the Corporation during these years.

Conclusion

By way of application of the Corporation's executive compensation policy, an important part of executive compensation is linked to corporate performance and long-term value creation. The Human Resources Committee continuously reviews executive compensation programs to ensure that they maintain their competitiveness and continue to focus on the Corporation's objectives, values and business strategies.

In the fiscal year ending August 31, 2013, we will make a significant change to the CEO compensation structure. Following the evaluation of the share ownership of the CEO, it was decided by the Human Resource Committee that the CEO should no longer receive equity-based compensation within his compensation as the share ownership of the CEO has been determined to be sufficient and that equity-based compensation was no longer reasonably considered as an incentive to performance.

Depending on specific circumstances, the Human Resources Committee may also recommend employment terms and conditions that deviate from the policies and the execution by the Corporation or its subsidiaries of employment contracts on a case-by-case basis.

Summary Compensation Table

The table below shows compensation information during the three most recently completed financial years for the NEOs. This information includes the US dollar value of base salaries, share-based and option-based awards, non-equity incentive plan compensations, pension value and all other compensation, if any, whether paid or deferred.

Name and Principal Position	Financial Year	Salary (1) (2) ($)	Share-Based Awards (2) (3) ($)	Option-based Awards ($)	Non-equity incentive plan compensation ($)		Pension value ($)	All other compensation ($) (2) (5)	Total Compensation ($)
					Annual Incentive plans (2) (4)	Long-term Incentive plans			
Germain Lamonde, President and Chief Executive Officer	2012	436,893 (US) 441,000 (CA)	291,263 (US) 294,001 (CA)	–	142,446 (US) 143,784 (CA)	–	–	–	870,602 (US) 878,785 (CA)
	2011	424,500 (US) 420,000 (CA)	283,003 (US) 280,003 (CA)	–	218,947 (US) 216,626 (CA)	–	–	–	926,450 (US) 916,629 (CA)
	2010	382,922 (US) 400,000 (CA)	248,610 (US) 259,698 (CA)	–	246,149 (US) 257,127 (CA)	–	–	–	877,681 (US) 916,825 (CA)
Pierre Plamondon, Vice-President, Finance and Chief Financial Officer	2012	245,149 (US) 247,453 (CA)	94,743 (US) 95,634 (CA)	–	63,948 (US) 64,549 (CA)	–	–	9,431 (US) 9,519 (CA)	413,271 (US) 417,155 (CA)
	2011	241,646 (US) 239,085 (CA)	137,305 (US) 135,850 (CA)	–	76,569 (US) 75,757 (CA)	–	–	8,747 (US) 8,654 (CA)	464,267 (US) 459,346 (CA)
	2010	221,137 (US) 231,000 (CA)	63,182 (US) 66,000 (CA)	–	92,060 (US) 96,166 (CA)	–	–	5,777 (US) 6,035 (CA)	382,156 (US) 399,202 (CA)
Stephen Bull, Vice-President, Research and Development	2012	218,129 (US) 220,180 (CA)	84,709 (US) 85,505 (CA)	–	42,249 (US) 42,646 (CA)	–	–	7,982 (US) 8,057 (CA)	353,069 (US) 356,388 (CA)
	2011	216,057 (US) 213,767 (CA)	90,323 (US) 93,020 (CA)	–	65,266 (US) 64,574 (CA)	–	–	12,819 (US) 12,683 (CA)	384,465 (US) 384,044 (CA)
	2010	186,037 (US) 194,334 (CA)	52,900 (US) 55,260 (CA)	–	66,741 (US) 69,718 (CA)	–	–	4,741 (US) 4,952 (CA)	310,419 (US) 324,264 (CA)
Sylvain Rouleau, Vice-President, Human Capital	2012	135,838 (US) (6) 137,115 (CA)	90,925 (US) 91,780 (CA)	–	22,894 (US) 23,109 (CA)	–	–	4,338 (US) 4,379 (CA)	253,995 (US) 256,383 (CA)
Dana Yearian, Vice-President, Sales — Americas	2012	214,240 (US) 216,254 (CA)	83,198 (US) 83,980 (CA)	–	149,851 (US) 151,260 (CA)	–	–	7,293 (US) 7,361 (CA)	454,582 (US) 458,855 (CA)
	2011	208,000 (US) 205,795 (CA)	123,410 (US) 122,102 (CA)	–	217,246 (US) 214,944 (CA)	–	–	7,350 (US) 7,272 (CA)	556,006 (US) 550,113 (CA)
	2010	200,000 (US) 208,920 (CA)	57,001 (US) 59,544 (CA)	–	170,297 (US) 177,892 (CA)	–	–	8,502 (US) 8,881 (CA)	435,801 (US) 455,237 (CA)

(1) Base salary earned in the financial year, regardless when paid.

(2) The compensation information for Canadian residents has been converted from Canadian dollars to US dollars based upon an average foreign exchange rate of CA$1.0094 = US$1.00 for the financial year ended August 31, 2012, CA$0.9894 = US$1.00 for the financial year ended August 31, 2011 and CA$1.0446 = US$1.00 for the financial year ended August 31, 2010.

(3) Indicates the dollar amount based on the grant date fair value of the RSUs awarded under the LTIP for the financial year. The grant date fair value is equal to the highest of the closing prices of the Subordinate Voting Shares on the Toronto Stock Exchange and the NASDAQ National Market on the last trading day preceding the grant date, using the noon buying rate of the Bank of Canada on the grant date to convert the NASDAQ National Market closing price to Canadian dollars. Grants of RSUs to NEOs are detailed under section "Compensation Discussion & Analysis – Long-Term Incentive Plan".

(4) Indicates the total bonus earned during the financial year whether paid during the financial year or payable on a later date:

Name	Paid during the financial year ended August 31, 2012 (i) ($)	Paid in the first quarter of the financial year ending on August 31, 2013 (i) ($)	Total bonus earned during the financial year ended August 31, 2012 (i) ($)
Germain Lamonde	112,297 (US) 113,352 (CA)	30,149 (US) 30,432 (CA)	142,446 (US) 143,784 (CA)
Pierre Plamondon	36,353 (US) 36,694 (CA)	27,595 (US) 27,855 (CA)	63,948 (US) 64,549 (CA)
Stephen Bull	30,190 (US) 30,474 (CA)	12,059 (US) 12,172 (CA)	42,249 (US) 42,646 (CA)
Sylvain Rouleau	8,777 (US) 8,860 (CA)	14,117 (US) 14,249 (CA)	22,894 (US) 23,109 (CA)
Dana Yearian	123,923 (US) 125,088 (CA)	25,928 (US) 26,172 (CA)	149,851 (US) 151,260 (CA)

(i) Refer to note 2 above.

(5) Indicates the amount contributed by the Corporation during the financial year to the Deferred Profit-Sharing Plan as detailed under section "Compensation Discussion & Analysis – Deferred Profit-Sharing Plan", 401K Plan as detailed under section "Compensation Discussion & Analysis – 401K Plan", as applicable, for the benefit of the NEOs. Mr. Lamonde is not eligible to participate in the Deferred Profit Sharing Plan.

(6) This amount represents the salary paid to Mr. Sylvain Rouleau from January 23, 2012 until August 31, 2012 which is based on an annual salary amounted to US$227,858 (CA$230,000) for the financial year ended August 31, 2012.

Incentive Plan Awards

The significant terms of all plan-based awards and non-equity incentive plan awards, issued or vested, or under which options have been exercised, during the fiscal year, or outstanding at the end of the financial year are described herein under the section entitled "Compensation Discussion and Analysis – Long-Term Incentive Plan" and "Compensation Discussion and Analysis – Short Term Incentive Compensation".

Outstanding Share-Based Awards and Option-Based Awards

The following sets out for each NEO all option and RSU awards outstanding as at August 31, 2012, if any, including those granted before August 31, 2012.

	Outstanding Option-based Awards (Options)				Outstanding Share-based Awards (RSUs)		
Name	Number of securities underlying unexercised options (#)	Option Exercise Price (1)	Option expiration date	Value (2) of unexercised in-the-money options (3)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (US$) (4)	Market or payout value of vested share-based awards not paid out or distributed (US$)
Germain Lamonde	17,942	4.51 (US) 5.60 (CA)	Feb. 1, 2015	– –	228,920	1,103,394	–
	11,218	4.76 (US) 5.50 (CA)	Dec. 6, 2015	– –			
Pierre Plamondon	5,383	5.13 (US) 6.28 (CA)	Oct. 26, 2014	– –	96,854	466,836	–
	3,653	4.76 (US) 5.50 (CA)	Dec. 6, 2015	– –			
Stephen Bull	–	–	–	–	75,101	361,987	–
Sylvain Rouleau	–	–	–	–	13,906	67,027	–
Dana Yearian	–	–	–	–	97,002	467,550	–

(1) These options were granted in Canadian dollars. The exercise price was calculated by using the highest of the closing prices of the Subordinate Voting Shares on the Toronto Stock Exchange and on the NASDAQ National Market on the business day preceding the grant date using the noon buying rate of the Bank of Canada to convert the Toronto Stock Exchange closing price to United States dollars on the grant date.

(2) The unexercised options have not been and may never be exercised and actual gains if any, on exercise will depend on the value of the Subordinate Voting Shares on the date of exercise. There can be no assurance that these options will be exercised or any gain realized.

(3) Indicates an aggregate value of "in-the-money" unexercised options held at the financial year ended August 31, 2012. "In-the-money" options are options for which the market value of the underlying securities is higher than the exercise price. The value of unexercised in-the-money options at financial year end is the difference between its exercise or base price and the market value of the underlying Subordinate Voting Share at August 31, 2012, which was US$4.82 (CA$4.75). The market value of the Subordinate Voting Shares was calculated by using the highest of the closing prices of the Subordinate Voting Shares on the Toronto Stock Exchange and on the NASDAQ National Market on August 31, 2012 using the noon buying rate of the Bank of Canada to convert the NASDAQ National Market closing price to Canadian dollars as required. For a Canadian resident, the value of unexercised in-the-money options is calculated using the option exercise price and the market value of the subordinate voting shares on the TSX in Canadian dollars.

(4) The value of unvested RSUs at the financial year-end is the market value of the Subordinate Voting Shares on August 31, 2012, which was US$4.82 (CA$4.75). The market value of the Subordinate Voting Shares was calculated by using the highest of the closing prices of the Subordinate Voting Shares on the Toronto Stock Exchange and on the NASDAQ National Market on August 31, 2012 using the noon buying rate of the Bank of Canada to convert the NASDAQ National Market closing price to Canadian dollars as required. The actual gains on vesting will depend on the value of the Subordinate Voting Shares on the date of vesting. There can be no assurance that these values will be realized.

Exercised Option-Based Awards

The following table summarizes, for each of the NEOs, the number of stock options, if any, exercised during the financial year ended August 31, 2012 and the aggregate gains realized upon exercise, if any. Gains realized upon exercise are the difference between the market value of the underlying Subordinate Voting Shares on the exercise date and the exercise or base price of the option.

Name	Exercised Option-based Awards (Options)			
	Number of securities underlying exercised options (#)	**Option Exercise Price (US$)**	**Option grant date**	**Gains realized (US$)**
Germain Lamonde	50,000	1.58 (1)	September 25, 2002	118,376 (2)
Pierre Plamondon	–	–	–	–
Stephen Bull	–	–	–	–
Sylvain Rouleau	–	–	–	–
Dana Yearian	–	–	–	–

(1) These options were granted in Canadian dollars. The exercise price was calculated by using the highest of the closing prices of the Subordinate Voting Shares on the Toronto Stock Exchange and on the NASDAQ National Market on the business day preceding the grant date using the noon buying rate of the Bank of Canada to convert the Toronto Stock Exchange closing price to United States dollars on the grant date.

(2) The gain realized is the difference between the market value of the underlying Subordinate Voting Shares at the time of the exercise and the exercise or base price of the option. The market value of the Subordinate Voting Shares at the time of exercise was converted from Canadian dollars to United States dollars based upon the noon buying rate of the Bank of Canada on the exercise date.

Incentive Plan Awards – Value Vested or Earned during the Year

The following table summarizes, for each of the NEOs, the value of share-based awards vested during the financial year ended August 31, 2012, if any, and the value of non-equity incentive plan compensation earned during the financial year ended August 31, 2012, if any. In the financial year that ended August 31, 2012, all of the options granted to an NEO were exercisable.

Name	Share-based awards – value vested during the year (US$) (1)	Non-equity incentive plan compensation – Value earned during the year (US$) (2)
Germain Lamonde	262,593	142,446
Pierre Plamondon	92,083	63,948
Stephen Bull	83,290	42,249
Sylvain Rouleau	–	22,894
Dana Yearian	78,445	149,851

(1) The aggregate dollar value realized is equivalent to the market value of the Subordinate Voting Shares underlying the RSUs at vesting. This value, as the case may be, has been converted from Canadian dollars to US dollars based upon the noon buying rate of the Bank of Canada on the day of vesting.
(2) Includes total non-equity incentive plan compensation earned by each NEO in respect to the financial year ended on August 31, 2012 (as indicated under the "Summary Compensation Table").

Pension Plan Benefits

The Corporation does not have a defined benefit pension plan. The significant terms of the Deferred Profit-Sharing Plan and the 401K Plan of the Corporation are described herein under the sections entitled "Compensation Discussion and Analysis – Deferred Profit-Sharing Plan" and "Compensation Discussion and Analysis – 401K Plan". The amounts paid by the Corporation to the NEOs under such plans are detailed in the column entitled "All other compensation" in the "Summary Compensation Table".

Termination and Change of Control Benefits

The Corporation has an employment agreement with Mr. Germain Lamonde. The agreement is for an indeterminate period and compensation is reviewed annually. In the event of the termination of Mr. Lamonde's employment without cause, Mr. Lamonde will be entitled to severance payments equal to 24 months of his current rate of remuneration (base salary, STIP compensation and benefits) and the immediate vesting of all stock options and RSUs. In addition, in the event that Mr. Lamonde's employment is terminated following a merger or an acquisition by a third party of substantially all of the Corporation's assets or of the majority of its share capital, he will be entitled to severance payments equal to 24 months of his current rate of remuneration (base salary, STIP compensation and benefits) and to the immediate vesting of all stock options and RSUs. If Mr. Lamonde voluntarily resigns he will be entitled to immediate vesting of all stock options and RSUs.

The Corporation has an employment agreement with Mr. Pierre Plamondon, the Corporation's Vice-President, Finance and Chief Financial Officer. The agreement is for an indeterminate period and compensation is reviewed annually. In the event of termination of Mr. Plamondon's employment without cause, Mr. Plamondon will be entitled to severance payments equal to 12 months of his current base salary. In addition, in the event Mr. Plamondon's employment is terminated following a merger or an acquisition by a third party of substantially all of the Corporation's assets or of the majority of its share capital, he will be entitled to severance payments equal to 18 months of his current rate of remuneration (base salary, STIP compensation and benefits) and to the immediate vesting of all stock options and RSUs.

The Corporation has an employment agreement with Mr. Stephen Bull, the Corporation's Vice-President, Research and Development. The agreement is for an indeterminate period and compensation is reviewed annually. In the event of termination of Mr. Bull's employment without cause, Mr. Bull will be entitled to severance payments equal to 12 months of his current base salary. In addition, in the event Mr. Bull employment is terminated following a merger or an acquisition by a third party of substantially all of the Corporation's assets or of the majority of its share capital, he will be entitled to severance payments equal to 18 months of his current rate of remuneration (base salary, STIP compensation and benefits) and to the immediate vesting of all RSUs.

The Corporation has an employment agreement with Mr. Sylvain Rouleau, the Corporation's Vice-President, Human Capital. The agreement is for an indeterminate period and compensation is reviewed annually. In the event of termination of Mr. Rouleau's employment without cause, Mr. Rouleau will be entitled to severance payments equal to 6 months of his current base salary plus 2 months of such current base salary per year of service but in no case exceeding 12 months. In addition, in the event Mr. Rouleau employment is terminated following a merger or an acquisition by a third party of substantially all of the Corporation's assets or of the majority of its share capital, he will be entitled to severance payments equal to 6 months of his current rate of remuneration (base salary) plus 2 months of such remuneration per year of service as a Vice-President of the Corporation (a minimum of 6 months of remuneration but in no case exceeding 18 months of remuneration) and to the immediate vesting of all RSUs.

The Corporation has an employment agreement with Mr. Dana Yearian, the Corporation's Vice-President, Sales — Americas. The agreement is for an indeterminate period and compensation is reviewed annually. In the event of termination of Mr. Yearian's employment without cause, Mr. Yearian will be entitled to severance payments equal to 12 months of his current base salary. In addition, in the event Mr. Yearian's employment is terminated following a merger or an acquisition by a third party of substantially all of the Corporation's assets or of the majority of its share capital, he will be entitled to severance payments equal to 18 months of his current rate of remuneration (base salary, SIP compensation and benefits) and to the immediate vesting of all stock options and RSUs.

The following table outlines the estimated incremental payments NEOs would be entitled to receive if a termination payment event occurred on August 31, 2012, which includes all payments, payables and benefits that would be given by the Corporation to an NEO upon such termination payment event.

Named Executive Officer	Termination Payment Event		
	Without Cause ($) (1) (2)	Change of Control ($) (2) (3) (4)	Voluntary ($)
Germain Lamonde	2,415,074 (US) (5) 2,402,622 (CA)	2, 415,074 (US) 2,402,622 (CA)	1,103,394 (US) (6) 1,087,370 (CA)
Pierre Plamondon	508,181 (US) 506,665 (CA)	949,412 (US) 944,872 (CA)	–
Stephen Bull	415,302 (US) 414,488 (CA)	787,080 (US) 783,861 (CA)	–
Sylvain Rouleau	124,061 (US) 124,985 (CA)	180,956 (US) 181,054 (CA)	–
Dana Yearian	481,591 (US) 479,722 (CA)	1,114,779 (US) 1,107,557 (CA)	–

(1) The aggregate amount disclosed includes an evaluation of the amount that the NEO would have been entitled to should a termination of employment without cause have occurred on August 31, 2012 and includes, as the case may be for each NEO, the base salary that would have been received and total value of RSUs and options that would have vested (with the exception of Mr. Lamonde's evaluation which is described in note 6 below and includes: the base salary, STIP compensation, and total value of RSUs and options that would have vested). The amount for base salary compensation is calculated according to those amounts provided under the section entitled "Summary Compensation Table" included in this Circular. The amount for the total value attached to the vesting of RSUs and options determined pursuant to the LTIP as described in the section entitled "Long-Term Incentive Compensation – Long-Term Incentive Plan" for termination without cause.

(2) The aggregate amount for Canadian residents has been converted from Canadian dollars to US dollars based upon an average foreign exchange rate of CA$1.0094 = US$1.00 for the financial year ended August 31, 2012.

(3) "Change of Control" is defined as a merger or an acquisition by a third party of substantially all of the Corporation's assets or of the majority of its share capital.

(4) The aggregate amount disclosed includes, as the case may be for each NEO, an evaluation of the amount that the NEO would have been entitled to should a termination of employment for Change of Control have occurred on August 31, 2012 and includes, as the case may be, namely, the base salary, STIP or SIP compensation and total value of RSUs and options that would have vested. The amount for base salary and STIP or SIP compensation are calculated according to those amounts provided under the section entitled "Summary Compensation Table" included in this Circular, the total value attached to the vesting of RSUs and options is calculated according to those amounts provided in the columns named "Value of unexercised in-the-money options" and "Market or payout value of share-based awards that have not vested" of the table included under the heading entitled "Outstanding share-based awards and option-based awards".

(5) The aggregate amount disclosed includes an evaluation of the amount that Mr. Lamonde would have been entitled to should a termination of employment without cause have occurred on August 31, 2012 and includes: the base salary, STIP compensation, and total value of RSUs and options that would have vested. The amount for base salary and STIP compensation are calculated according to those amounts provided under the section entitled "Summary Compensation Table" included in this Circular; the total value attached to the vesting of RSUs and options are calculated according to those amounts provided in the columns named "Value of unexercised in-the-money options" and "Market or payout value of share-based awards that have not vested" of the table included under the heading entitled – "Outstanding share-based awards and option-based awards".

(6) The aggregate amount disclosed includes an evaluation of the amount that Mr. Lamonde would have been entitled to should a voluntary termination of employment have occurred on August 31, 2012 and includes: the total value of RSUs and options that would have vested. The amount for the total value attached to the vesting of RSUs and options are calculated according to those amounts provided in the columns named "Value of unexercised in-the-money options" and "Market or payout value of share-based awards that have not vested" of the table included under the heading entitled "Outstanding share-based awards and option-based awards".

Compensation of Directors

Director Compensation Table

In the financial year ended August 31, 2012, each director who was not an employee of the Corporation or any of its subsidiaries received the level of compensation set forth in the following table as annual compensation payable in a combination of cash and Deferred Share Units (DSUs) as chosen by the director pursuant to the DSU Plan. The significant terms of the DSU Plan is described herein under the section entitled "Long-Term Incentive Compensation – Deferred Share Unit Plan".

Annual Retainer for Directors (1)	CA$50,000 (2)	US$49,534 (3)
Annual Retainer for Lead Director	CA$5,000	US$4,953 (3)
Annual Retainer for Committee Chairman	CA$5,000	US$4,953 (3)
Annual Retainer for Committee Members	CA$3,000	US$2,972 (3)
Fees for all Meetings Attended per day in Person	CA$1,000	US$991 (3)
Fees for all Meetings Attended per day by Telephone	CA$500	US$495 (3)

(1) All the Directors elected to receive 50% of their Annual Retainer in form of DSUs.
(2) The Annual Retainer for Mr. Pierre-Paul Allard, Ms. Susan Spradley and Mr. David A. Thompson is US$50,000 (CA$50,470).
(3) The compensation information has been converted from Canadian dollars to US dollars based upon an average foreign exchange rate of CA$1.0094 = US$1.00 for the financial year ended August 31, 2012.

In the financial year ended August 31, 2012, the Directors who are not employees of the Corporation earned the following compensation in the form indicated:

Name	Fees earned (1) ($)	Share-based Awards ($)	Option-based awards ($)	Non-equity incentive plan compensation ($)	Pension Value ($)	All other Compensation ($)	Total ($)
Pierre-Paul Allard	60,898 (US) 61,470 (CA)	–	–	–	–	–	60,898 (US) 61,470 (CA)
Darryl Edwards	61,918 (US) 62,500 (CA)	–	–	–	–	–	61,918 (US) 62,500 (CA)
Pierre Marcouiller	65,385 (US) 66,000 (CA)	–	–	–	–	–	65,385 (US) 66,000 (CA)
Guy Marier	65,881 (US) 66,500 (CA)	–	–	–	–	–	65,881 (US) 66,500 (CA)
Susan Spradley	60,898 (US) 61,470 (CA)	–	–	–	–	–	60,898 (US) 61,470 (CA)
David A. Thompson (2)	23,909 (US) 24,134 (CA)	–	–	–	–	–	23,909 (US) 24,134 (CA)

(1) The compensation information has been converted from Canadian dollars to US dollars based upon an average foreign exchange rate of CA$1.0094 = US$1.00 for the financial year ended August 31, 2012 except for compensation amounts paid to Mr. Pierre-Paul Allard, Ms. Susan Spradley and Mr. David A. Thompson which are paid in US dollars for the portion of their annual retainer for Directors. The fees are always payable in cash, but executives are provided the opportunity to elect to exchange all or a portion of their Annual Retainer for Directors into DSUs. The following table identifies the portion of the fees earned by the directors that were paid in DSUs and the portion that were paid in cash.

Name	Fees earned		
	DSUs ($) (i)	Cash ($)	Total ($)
Pierre-Paul Allard (ii)	25,000 (US) 25,235 (CA)	35,898 (US) 36,235 (CA)	60,898 (US) 61,470 (CA)
Darryl Edwards (ii)	24,767 (US) 25,000 (CA)	37,151 (US) 37,500 (CA)	61,918 (US) 62,500 (CA)

Name	Fees earned		
	DSUs ($) (i)	Cash ($)	Total ($)
Pierre Marcouiller (ii)	24,767 (US) 25,000 (CA)	40,618 (US) 41,000 (CA)	65,385 (US) 66,000 (CA)
Guy Marier (ii)	24,767 (US) 25,000 (CA)	41,114 (US) 41,500 (CA)	65,881 (US) 66,500 (CA)
Susan Spradley (ii)	25,000 (US) 25,235 (CA)	35,898 (US) 36,235 (CA)	60,898 (US) 61,470 (CA)
David A. Thompson (ii)	9,135 (US) 9,221 (CA)	14,774 (US) 14,913 (CA)	23,909 (US) 24,134 (CA)

(i) The estimated value at the time of grant of a DSU is determined based on the highest of the closing prices of the Subordinate Voting Shares on the Toronto Stock Exchange and the NASDAQ National Market on the last trading day preceding the grant date, using the noon buying rate of the Federal Reserve Bank of New York (for grants of DSUs prior to January 1, 2009) or the Bank of Canada (for grants of DSUs on or after January 1, 2009) on the grant date to convert the NASDAQ National Market closing price to Canadian dollars, as required. The value at vesting of a DSU is equivalent to the market value of a Subordinate Voting Share when a DSU is converted to such Subordinate Voting Share.

(ii) Elected to receive 50% of his or her Annual Retainer for Directors in form of DSUs.

(2) Mr. Thompson ceased to be a member of the Board of Directors as at January 12, 2012.

Director Incentive Plan Awards

The significant terms of all plan-based awards and non-equity-incentive plan awards, issued or vested, or under which options have been exercised, during the year, or outstanding at the end of the financial year are described herein under section entitled “Compensation Discussion and Analysis – Long-Term Incentive Plan”.

Outstanding Share-Based Awards and Option-Based Awards

The following table sets out for each director of the Corporation all awards outstanding as at August 31, 2012, if any, including awards granted before August 31, 2012.

Name	Outstanding Option-based Awards (Options)				Outstanding Share-based Awards (DSUs)		
	Number of securities underlying unexercised options (#)	Option Exercise Price (US$) (1)	Option expiration date	Value (2) of unexercised in-the-money options (3)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (US$) (4)	Market or payout value of vested share-based awards not paid out or distributed (US$)
Pierre-Paul Allard	–	–	–	–	20,538	98,993	–
Darryl Edwards	–	–	–	–	4,244	20,456	–
Pierre Marcouiller	–	–	–	–	36,186	174,417	–
Guy Marier	12,500	4.65 (US) 6,22 (CA)	Mar. 24, 2014	– –	36,186	174,417	–
Susan Spradley	–	–	–	–	4,268	20,572	–
David A. Thompson (5)	–	–	–	–	31,668	152,640	–

(1) These options were granted in Canadian dollars. The exercise price was calculated by using the highest of the closing prices of the Subordinate Voting Shares on the Toronto Stock Exchange and the NASDAQ National Market on the business day preceding the grant date using the noon buying rate of the Bank of Canada to convert the Toronto Stock Exchange closing price to United States dollars on the grant date.

(2) The unexercised options have not been and may never be exercised and actual gains if any, on exercise will depend on the value of the Subordinate Voting Shares on the date of exercise. There can be no assurance that these options will be exercised or any gain realized.

(3) Indicates an aggregate value of "in-the-money" unexercised options held at the financial year ended August 31, 2012. "In-the-money" options are options for which the market value of the underlying securities is higher than the exercise price. The value of unexercised in-the-money options at financial year end is the difference between its exercise or base price and the market value of the underlying Subordinate Voting Share at August 31, 2012, which was US$4.82 (CA$4.75). The market value of the Subordinate Voting Shares was calculated by using the highest of the closing prices of the Subordinate Voting Shares on the Toronto Stock Exchange and on the NASDAQ National Market on August 31, 2012 using the noon buying rate of the Bank of Canada to convert the NASDAQ National Market closing price to Canadian dollars as required. For a Canadian resident, the value of unexercised in-the-money options is calculated using the option exercise price and the market value of the subordinate voting shares on the TSX in Canadian dollars.

(4) The value of unvested DSUs at the financial year-end is the market value of the Subordinate Voting Shares on August 31, 2012, which was US$4.82 (CA$4.75). The market value of the Subordinate Voting Shares was calculated by using the highest of the closing prices of the Subordinate Voting Shares on the Toronto Stock Exchange and on the NASDAQ National Market on August 31, 2012 using the noon buying rate of the Bank of Canada to convert the Toronto Stock Exchange closing price to United States dollars as required. The actual gains on vesting will depend on the value of the Subordinate Voting Shares on the date of vesting. There can be no assurance that these values will be realized.

(5) Mr. Thompson ceased to be a member of the Board of Directors as at January 12, 2012.

Exercised Option-Based Awards

The following table sets out for each director of the Corporation all awards exercised during the financial year ended August 31, 2012, if any.

Name	Exercised Option-based Awards (Options)			
	Number of securities underlying exercised options (#)	**Option Exercise Price (US$)**	**Option grant date**	**Gains realized (US$)**
Pierre-Paul Allard	–	–	–	–
Darryl Edwards	–	–	–	–
Pierre Marcouiller	–	–	–	–
Guy Marier	–	–	–	–
Susan Spradley	–	–	–	–
David A. Thompson [(1)]	12,500	3.51	Oct. 27, 2003	36,039 [(2)]

(1) Mr. Thompson ceased to be a member of the Board of Directors as at January 12, 2012.

(2) The gain realized is the difference between the market value of the underlying Subordinate Voting Shares at the time of the exercise and the exercise or base price of the option.

In the financial year that ended August 31, 2012, all of the options of directors were exercisable; none of the DSUs of directors vested and the directors did not receive any non-equity incentive compensation from the Corporation.

Securities Authorized for Issuance under Equity Compensation Plans

The following table sets forth the number of Subordinate Voting Shares of the Corporation issued and outstanding as at August 31, 2012, or that may be issued, under the Corporation's LTIP and Deferred Share Unit Plan, both of which were approved by the Corporation's shareholders.

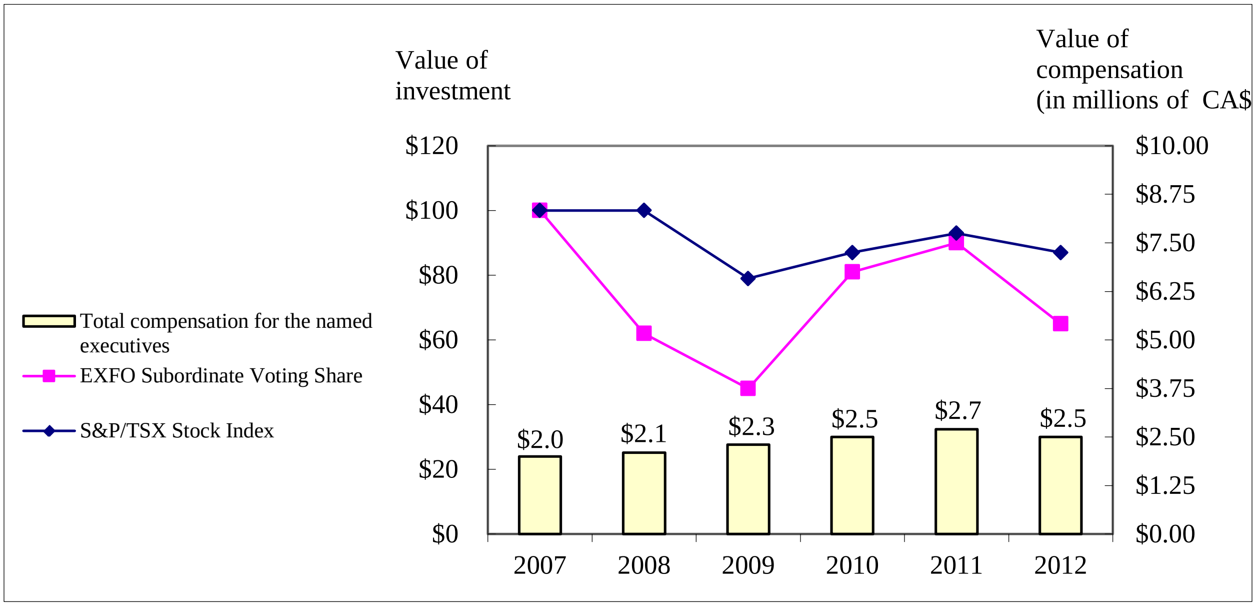
Plan category	Number of securities to be issued upon exercise of outstanding options, RSUs and DSUs (#) (a)	Weighted-average exercise price of outstanding options, RSUs and DSUs (US$) (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (#) (c)
LTIP – RSUs	1,337,730	n/a [(1)]	2,290,523
LTIP – Options	244,354	4.02	
DSUP – DSUs	133,090	n/a [(1)]	

(1) The value of RSUs and DSUs will be equal to the market value of the Subordinate Voting Shares of the Corporation on the date of vesting.

PERFORMANCE GRAPH

The line graphs below compare the cumulative total shareholder return of the Corporation's Subordinate Voting Shares with the cumulative shareholder return of the S&P/TSX Composite Index for the last five fiscal years ended August 31, 2012. It assumes that the initial value of the investment in Corporation's Subordinate Voting Shares and in the S&P/TSX Composite Index was CA$100 on August 31, 2007. The bar charts below illustrate the trend in total compensation paid to the NEOs in office during such periods; the CEO and CFO are included in every period but the remaining three named executive officers changed from one period to another. For further information about the identity and compensation of the NEOs, please refer to our previous five Management Proxy Circulars and this Circular under the section "Summary Compensation Table".

The Corporation's Stock Performance
(August 31, 2007 to August 31, 2012)



	August 31,					
	2007	**2008**	**2009**	**2010**	**2011**	**2012**
EXFO Subordinate Voting Share	100	62	45	81	90	65
S&P/TSX Stock Index	100	100	79	87	93	87
Sum of NEO's total compensation (in millions of CA$)	$2.0	$2.1	$2.3	$2.5	$2.7	$2.5

The trends shown by the graphs above represent a decline in the total shareholder return from August 31, 2007 to August 31, 2009, followed by a growth in the fiscal years ended August 31, 2010 and 2011, and conclude with a decline in the fiscal year ended August 31, 2012. The performance of the Corporation was lower than the performance of the Index in fiscal 2008, 2009 and 2012. A global recession in 2008 and 2009 as well as macro-economic uncertainty and debt crisis in Europe in 2012 affected the telecom market and the Corporation earlier and more severely than the Index. However, the recovery for the Corporation in fiscal 2010 and 2011 brought the performance of the Corporation almost in line with the Index, demonstrating that the Corporation was able to recover from the decline of the previous two years. Due to the size of the Corporation and its market capitalization, the Subordinate Voting Shares tend to be more volatile and more severely impacted, either positively or negatively, than the Index.

The chart depicts that, over the same five-year period, the total level of compensation received by the NEOs closely followed our share performance from August 31, 2009 until August 31, 2012. The exceptions to this trend were witnessed during fiscal years ended August 31, 2007 and 2008. The following information should be considered when analyzing the previous chart:

- Our share performance improved from the fiscal year ended August 31, 2009 to the fiscal year ended August 31, 2011 and decreased from the fiscal year ended August 31, 2011 to the fiscal year ended August 31, 2012; this performance is aligned with the respective increase and decrease of the total compensation received by the NEOs during these periods. Such compensation for the NEOs is therefore aligned with shareholders' interests.

- Our share performance weakened in the fiscal years ended August 31, 2007, 2008 and 2009 due to a significant downturn in the economy; this performance is similar to other technology sector companies. It should be noted that the Corporation delivered an EBITDA* margin of 14.8%, 11.2 % and 8.4 %, respectively, for fiscal 2007, 2008 and 2009, since the Corporation was expanding our activities, developing new market territories and acquiring new businesses. This expansion significantly increased the complexity of our operations and organization.

- The increase in the total compensation received by the NEOs in the fiscal years ended August 31, 2008, 2009, 2010 and 2011 is the result of an initiative to gradually close the compensation gap with respect to market rates. This decision was made pursuant to a three-year plan adopted in 2007 based on Mercer and Aon's recommendations, and a plan adopted in 2010 previously defined herein as the Mercer Three Year Compensation Plan. In addition, total compensation received by the named executive officers over the identified periods increased as a result of the additional roles and responsibilities of such individuals due to the increased complexity of our organization and to the addition of new senior executive members with higher compensation.

Overall, total compensation received by the NEOs over the identified period is linked with the increase in the Corporation's annual revenues from US$152.9 million for the fiscal year ended August 31, 2007 to US$250.0 million for the fiscal year ended August 31, 2012, which represents an increase of 63%.

Total compensation to NEOs of the Corporation is defined as the aggregate of base salary, short-term compensation, and long-term compensation. Base salary is established at the beginning of each fiscal year, according to recommendations made by the Board of Directors' Human Resources Committee. Short-term compensation, which varies from one year to the next, is contingent upon the achievement of pre-established objectives measured against corporate and individual targets for a given fiscal year. For more information about short-term compensation, refer to the heading entitled "Short Term Incentive Compensation." Long-term compensation, which is provided in the form of RSUs, vests over a three- to five-year period, depending on the achievement of pre-established corporate goals. For more information about long-term compensation, refer to the heading entitled "Long Term Incentive Plan".

Consequently, base salary and short-term compensation do not necessarily track with the market value of our share price. Long-term compensation, however, is directly aligned with share-price performance, since the market value of RSUs is equal to the market value of our shares on any vesting day. Accordingly, the market value of our share price will affect the planned value of NEOs' total compensation, thereby partially aligning their experience with that of shareholders.

* EBITDA is defined as net earnings (loss) before interest, income taxes, amortization of property, plant and equipment, amortization of intangible assets, impairment of goodwill and extraordinary gain.

DIRECTORS AND OFFICERS' LIABILITY INSURANCE

The Corporation maintains insurance protection against liability incurred by its officers and directors as well as those of its subsidiaries in the performance of their duties. The entire premium, amounting to US$168,225 from September 30, 2012 to September 30, 2013, is paid by the Corporation. The aggregate limit of liability in respect of any and all claims is US$10 million per year, subject to a deductible of US$250,000. A separate excess director and officer liability policy (Chubb Executive Elite) with aggregate limit of US$5 million provides broad form side A coverage, featuring difference-in-conditions (DIC) drop-down coverage that fills in potential coverage gaps that may exist under restrictive or unresponsive underlying insurance. This specific policy provides coverage for personal directors and officers liability if the organization fails or refuses to indemnify, or is financially unable to do so, or is prevented by law from indemnifying and will also respond if the primary D&O policy limit is consumed.

REPORT ON CORPORATE GOVERNANCE PRACTICES

Corporate Governance Developments in Canada

In January 2004, the Canadian Securities Administrators (the "CSA") adopted Multilateral Instrument 52-110—Audit Committees, which was amended as of January 1, 2011 ("MI 52-110"). MI 52-110 sets forth certain requirements regarding Audit Committee composition and responsibilities, as well as reporting obligations with respect to audit-related matters. The disclosure of the MI 52-110 requirements is included in our 2012 Annual Information Form on Form 20-F under Exhibit 11.5 (Audit Committee Charter), Items 6.A (Directors and Senior Management) and 16.C (Principal Accountant Fees and Services) available as described below. For the composition of the Audit committee, refer to the table provided under heading "Nominees for Election as Directors and their Beneficial Ownership of Voting Securities".

Effective June 30, 2005, the CSA also adopted National Instrument 58-101—Disclosure of Corporate Governance Practices ("NI 58-101") and National Policy 58-201—Effective Corporate Governance ("NP 58-201" and, together with MI 52-110, the "CSA Corporate Governance Standards"). NP 58-201 provides guidance to Canadian issuers with respect to corporate governance practices, while NI 58-101 requires issuers to make certain disclosures regarding their governance practices. The CSA Corporate Governance Standards, particularly NI 58-101 and NP 58-201, have replaced the former guidelines of the Toronto Stock Exchange that had, prior to the coming into force of the CSA Corporate Governance Standards, served as the primary source of codified recommendations in respect of corporate governance practices in Canada.

EXFO's Corporate Governance Practices

In accordance with NI 58-101, we are required to disclose information with respect to our system of corporate governance. Over the past few years, we have undertaken a comprehensive review of our corporate governance practices in order to best comply with and, whenever practicable, exceed the CSA Standards.

We adopted in March 2005 and are updating on a regular basis a number of charters and policies, including an Audit Committee Charter; a Board of Directors Corporate Governance Guidelines, a Code of Ethics for our Principal Executive Officer and Senior Financial Officers, a Disclosure Guidelines, an Ethics and Business Conduct Policy, a Human Resources Committee Charter, a Securities Trading Policy and a Statement on Reporting Ethical Violations (Whistle Blower). We adopted in October 2006 a policy regarding Hiring Employees and Former Employees of Independent Auditor. We adopted in June 2011 an Independent Members Committee Charter. We also adopted in October 2011 a majority voting policy for the election of our Directors. We are also implementing best practices such as, Best Practice regarding the Granting date of Stock Incentive Compensation and the establishment of Guidelines regarding the filing and disclosure of material contracts. We refer to our Board of Directors and Committee Charters as our "Corporate Governance Rules".

We are of the view that adopting and implementing good corporate governance practices is a cornerstone of our corporate and management practices and policies and that our existing corporate governance practices already meet the prevailing corporate governance standards. We further believe that the measures we have adopted with respect to corporate governance comply substantially with the CSA Standards.

We encourage our shareholders to consult our Corporate Governance Rules and Ethics and Business Conduct Policy available on our website (www.EXFO.com) and also available in print to any shareholder who requests copies by contacting our Corporate Secretary.

Our 2012 Annual Information Form on Form 20-F (also filed with the SEC), which will be available on or before November 29, 2012 and which may be obtained free of charge upon request to the Corporate Secretary or at www.sedar.com in Canada or www.sec.gov/edgar.shtml in the U.S., will also contain certain information with respect to our corporate governance practices.

We are dedicated to updating our corporate governance practices on an ongoing basis in order to respond to the evolution of best practices. We and our Board of Directors are of the view that our corporate governance practices, as summarized in the Schedule A attached to this Management Proxy Circular, are in substantial compliance with the CSA Corporate Governance Standards. Copies of our Corporate Governance Rules and all related policies (including those mentioned above) are available on our website (www.EXFO.com) as mentioned in Schedule A.

ADDITIONAL INFORMATION

Additional information relating to the Corporation is on SEDAR at www.sedar.com. The Corporation shall provide to any person or company, free of charge upon request to the Corporate Secretary of the Corporation, at 400 Godin Avenue, Quebec, Province of Quebec, Canada, G1M 2K2, phone number (418) 683-0913 ext. 23704 or fax number (418) 683-9839:

(a) one copy of the Annual Report on Form 20-F of the Corporation filed with the Securities and Exchange Commission (the "SEC") in the United States pursuant to the *Securities Exchange Act of 1934*, and with securities commissions or similar authorities;

(b) one copy of the comparative consolidated financial statements and the management's discussion and analysis of financial condition and results of operations of the Corporation for its most recently completed financial year and the Auditors report thereon, included in the Annual Report on Form 20-F of the Corporation and one copy of any interim consolidated financial statements of the Corporation subsequent to the consolidated financial statements for its most recently completed financial year;

(c) one copy of this Management Proxy Circular.

Additional information relating to the Corporation is also included in the Corporation's Annual Report on Form 20-F for the year ended August 31, 2012. The consolidated audited annual financial statements, the report of the auditor and management's discussion and analysis is being mailed to shareholders, pursuant to applicable legislation, with the Notice of Meeting and this Management Proxy Circular. Additional copies of the above mentioned documents are available on SEDAR at www.sedar.com in Canada or www.sec.gov/edgar.shtml in the U.S., and may be obtained free of charge from the Corporation upon request and will be available at the Meeting or on the Corporation website (www.EXFO.com) under the Investors Section.

DIRECTORS' APPROVAL

The contents and the sending of this Management Proxy Circular have been approved by the Directors of the Corporation.

DATED at Quebec, Province of Quebec, Canada, this 1st day of November, 2012.

Benoit Ringuette
Corporate Secretary
EXFO INC.
400 Godin Avenue
Quebec, Province of Quebec, Canada, G1M 2K2

SCHEDULE A

CSA Guidelines	EXFO's Corporate Governance Practices
1. Board of Directors	
(a) Disclose the identity of directors who are independent.	The following directors are independent: Mr. Pierre-Paul Allard Mr. Darryl Edwards Mr. Pierre Marcouiller Mr. Guy Marier Ms. Susan Spradley Dr. David A. Thompson (director until January 12, 2012)
(b) Disclose the identity of directors who are not independent, and describe the basis for that determination.	Mr. Germain Lamonde – non-independent – is President and Chief Executive Officer of the Corporation and the majority shareholder of the Corporation as he has the ability to exercise a majority of the votes for the election of the Board of Directors.
(c) Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the board of directors does to facilitate its exercise of independent judgment in carrying out its responsibilities.	The majority of directors are independent. From September 1, 2011 to October 1, 2011, 5 out of 6. From October 1, 2011 until January 12, 2012, 6 out of 7. From January 12, 2012, until November 1, 2012, 5 out of 6.
(d) If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.	Pierre Marcouiller is a Director of Canam Group Inc., a publicly listed corporation from Saint-Georges de Beauce, Quebec, Canada.
(e) Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the board does to facilitate open and candid discussion among its independent directors.	The independent Directors hold as many meetings as needed annually and any Director may request a meeting at any time. From September 1, 2011 and to November 1, 2012, seven (7) meetings of independent Directors without management occurred. In June 2011, an Independent Members Committee Charter was adopted.

(f) Disclose whether or not the chair of the board is an independent director. If the board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the board has neither a chair that is independent nor a lead director that is independent, describe what the board does to provide leadership for its independent directors.	The Chair of the Board of Directors (being the majority shareholder) is not an independent director. Since 2002, the Corporation has named an independent director to act as "Lead Director". Mr. Pierre Marcouiller has been acting as the independent "Lead Director" of the Corporation since January 2011. The Lead Director is an outside and unrelated director appointed by the Board of Directors to ensure that the Board of Directors can perform its duties in an effective and efficient manner independent of management. The appointment of a Lead Director is part of the Corporation's ongoing commitment to good corporate governance. The Lead Director will namely: • provide independent leadership to the Board of Directors; • select topics to be included in the Board of Directors meetings; • facilitate the functioning of the Board of Directors independently of the Corporation's management; • maintain and enhance the quality of the Corporation's corporate governance practices; • in the absence of the Executive Chair, act as chair of meetings of the Board of Directors; • recommend, where necessary, the holding of special meetings of the Board of Directors; • serve as Board of Directors ombudsman, so as to ensure that questions or comments of individual directors are heard and addressed; • manage and investigate any report received through the Corporation website pursuant to the Corporation's Statement on reporting Ethical Violations and Ethics and Business Conduct Policy; and • work with the Board of Directors to facilitate the process for developing, monitoring and evaluating specific annual objectives for the Board of Directors each year.
(g) Disclose the attendance record of each director for all board meetings held since the beginning of the issuer's most recently completed financial year.	The table below indicates the directors' record of attendance at meetings of the Board of Directors and its committees during the financial year ended August 31, 2012:

Director	Board meetings attended	Audit Committee meetings attended	Human Resources Committee meetings attended	Independent Directors meetings attended	Total Board and Committee meetings attendance rate
Lamonde, Germain	6 of 6	n/a	n/a	n/a	100%
Allard, Pierre-Paul	6 of 6	3 of 4	4 of 4	4 of 5	90%
Edwards, Darryl	6 of 6	4 of 4	4 of 4	5 of 5	100%
Marcouiller, Pierre	4 of 6	3 of 4	3 of 4	4 of 5	84%
Marier, Guy	6 of 6	4 of 4	4 of 4	5 of 5	100%
Spradley, Susan	5 of 5	4 of 4	4 of 4	5 of 5	100%
Thompson, David	4 of 4	2 of 2	2 of 2	3 of 3	100%
Attendance Rate:	95%	91%	95%	91%	93%

2. Board Mandate – Disclose the text of the board's written mandate. If the board does not have a written mandate, describe how the board delineates its role and responsibilities.	
(a) Assuring the integrity of the executive officers and creating a culture of integrity throughout the organization.	The Board of Directors is committed to maintaining the highest standards of integrity throughout the organization. Accordingly, the Board of Directors adopted an Ethics and Business Conduct Policy and a Statement on Reporting Ethical Violations ("Whistleblower Policy") which are available on the Corporation's website (www.EXFO.com) to all employees and initially distributed to every new employees of the Corporation.
(b) Adoption of a strategic planning process	The Board of Directors provides guidance for the development of the strategic planning process and approves the process and the plan developed by management annually. In addition, the Board of Directors carefully reviews the strategic plan and deals with strategic planning matters that arise during the year.
(c) Identification of principal risks and implementing of risk management systems	The Board of Directors works with management to identify the Corporation's principal risks and manages these risks through regular appraisal of management's practices on an ongoing basis.
(d) Succession planning including appointing, training and monitoring senior management	The Human Resources Committee is responsible for the elaboration and implementation of a succession planning process and its updates as required. The Human Resources Committee is responsible to monitor and review the performance of the Chief Executive Officer and that of all other senior officers.
(e) Communications policy	The Chief Financial Officer of the Corporation is responsible for communications between Management and the Corporation's current and potential shareholders and financial analysts. The Board of Directors adopted and implemented Disclosure Guidelines to ensure consistency in the manner that communications with shareholders and the public are managed. The Audit Committee reviews press releases containing the quarterly results of the Corporation prior to release. In addition, all material press releases of the Corporation are reviewed by the President and Chief Executive Officer, Chief Financial Officer, Investor Relations Manager, Director of Financial Reporting and Accounting and General Counsel. The Disclosure Guidelines have been established in accordance with the relevant disclosure requirements under applicable Canadian and United States securities laws.
(f) Integrity of internal control and management information systems	The Audit Committee has the responsibility to review the Corporation's systems of internal controls regarding finance, accounting, legal compliance and ethical behavior. The Audit Committee meets with the Corporation's external auditors on a quarterly basis. Accordingly, the Corporation fully complies with Sarbanes-Oxley Act requirements within the required period of time.

(g) Approach to corporate governance including developing a set of corporate governance principles and guidelines that are specifically applicable to the issuer	The Board of Directors assumes direct responsibility for the monitoring of the Board of Directors's corporate governance practices, the functioning of the Board of Directors and the powers, mandates and performance of the committees. These responsibilities were previously assumed by the Human Resources Committee. Accordingly, the Board of Directors updated and adopted in March 2005 the following policies to fully comply with these responsibilities, which are updated on a regular basis: • Audit Committee Charter*; • Board of Directors Corporate Governance Guidelines*; • Code of Ethics for our Principal Executive Officer and Senior Financial Officers*; • Disclosure Guidelines; • Ethics and Business Conduct Policy*; • Human Resources Committee Charter*; • Securities Trading Policy; and • Statement on Reporting Ethical Violations (Whistle Blower)*. The Board of Directors also adopted in October 2006 the Policy Regarding Hiring Employees and Former Employees of Independent Auditors which is also available on the Corporation's website (www.EXFO.com). The Board of Directors also adopted in April 2007 the Best Practice regarding the Granting Date of Stock Incentive Compensation and adopted in October 2008 the Guidelines regarding the filing and disclosure of material contracts. The Board of Directors also adopted in October 2011 a majority voting policy for the election of Directors which is also available on the Corporation's website (www.EXFO.com). * available on the Corporation's website (www.EXFO.com).
(h) Expectations and responsibilities of Directors, including basic duties and responsibilities with respect to attendance at board meetings and advance review of meeting materials	The Board of Directors is also responsible for the establishment and functioning of all Board of Directors committees, their compensation and their good standing. At regularly scheduled meetings of the Board of Directors, the Directors receive, consider and discuss committee reports. The Directors also receive in advance of any meeting, all documentation required for the upcoming meetings and they are expected to review and consult this documentation.
3. Position Descriptions	
(a) Disclose whether or not the board has developed written position descriptions for the chair of the board and the chair of each board committee. If the board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.	There is no specific mandate for the Board of Directors, however the Board of Directors is, by law, responsible for managing the business and affairs of the Corporation. Any responsibility which is not delegated to senior management or to a committee of the Board of Directors remains the responsibility of the Board of Directors. Accordingly, the chair of the Board of Directors, of the Audit Committee and of the Human Resources Committee will namely: • provide leadership to the Board of Directors or Committee; • ensure that the Board of Directors or Committee can perform its duties in an effective and efficient manner; • facilitate the functionary of the Board of Directors or Committee; and • promote best practices and high standards of corporate governance.

(b) Disclose whether or not the board and CEO have developed a written position description for the CEO. If the board and CEO have not developed such a position description, briefly describe how the board delineates the role and responsibilities of the CEO.	No written position description has been developed for the CEO. The President and Chief Executive Officer, along with the rest of management placed under his supervision, is responsible for meeting the corporate objectives as determined by the strategic objectives and budget as they are adopted each year by the Board of Directors.
4. Orientation and Continuing Education	
(a) Briefly describe what measures the board takes to orient new directors regarding	
i. the role of the board, its committees and its directors, and	The Human Resources Committee Charter foresees that the Human Resource Committee maintains an orientation program for New Directors.
ii. the nature and operation of the issuer's business.	Presentations and reports relating to the Corporation's business and affairs are provided to new Directors. In addition, new Board of Directors members meet with senior management of the Corporation to review the business and affairs of the Corporation.
(b) Briefly describe what measures, if any, the board takes to provide continuing education for its directors. If the board does not provide continuing education, describe how the board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.	The Human Resources Committee Charter foresees that the Human Resources Committee maintains a continuing education program for Directors. In March 2010, the independent directors of the Corporation attended a training session that concerned director liability and governance. The training session addressed the legal duties of directors and governance as a way to discharge director's duties. In October 2010, the independent directors of the Corporation attended a training session that concerned independence practices, governance best practices and upcoming topics in governance best practices. In June 2011, the independent directors of the Corporation attended a training session that concerned executive compensation and related governance developments. In January 2012, the independent directors of the Corporation attended a presentation on the Corporation given by an executive and a product and marketing presentation. In March 2012, the independent directors of the Corporation attended a presentation on the investors' perception of the Corporation given by a market specialist and a presentation on the Corporation from an executive. In June 2012, the independent directors of the Corporation attended a presentation on the competitive view of the Corporation's main competitor given by a sales executive of the Corporation and a presentation on market analysis given by an executive of a significant customer.

5. Ethical Business Conduct

(a) Disclose whether or not the board has adopted a written code for the directors, officers and employees. If the board has adopted a written code: i. disclose how a person or company may obtain a copy of the code;	The Corporation is committed to maintaining the highest standard of business conduct and ethics. Accordingly, the Board of Directors updated and established (i) a Board of Directors Corporate Governance Guidelines (ii) a Code of Ethics for our Principal Executive Officer and senior Financial Officers (iii) Ethics and Business Conduct Policy and (iv) a Statement on Reporting Ethical Violations "Whistleblower Policy" which are available on the Corporation's website (www.EXFO.com).
ii. describe how the board monitors compliance with its code, or if the board does not monitor compliance, explain whether and how the board satisfies itself regarding compliance with its code; and	The Board of Directors will determine, or designate appropriate persons to determine, appropriate actions to be taken in the event of a violation of the Code of Ethics for our Principal Executive Officer and senior Financial Officers. Someone that does not comply with this Code of Ethics will be subject to disciplinary measures, up to and including discharge from the Corporation. Furthermore, a compliance affirmation must be filled in a written form agreeing to abide by the policies of the Code of Ethics.
iii. provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.	No material change report has been required or filed during our financial year ended August 31, 2012 with respect to any conduct constituting a departure from our Code of Ethics.
(b) Describe any steps the board takes to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest.	Activities that could give rise to conflicts of interest are prohibited. Board of Directors members should contact the Lead Director or in-house legal counsel regarding any issues relating to possible conflict of interest. If such event occurs, the implicated Board of Directors member will not participate in the meeting and discussion with respect to such possible conflict of interest and will not be entitled to vote on such matter. Senior executives should also contact the in-house legal counsel regarding any issues relating to possible conflict of interest.
(c) Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.	The Corporation has instituted and follows a "Whistleblower Policy" where each member of the Board of Directors as well as any senior officer, every employee of the Corporation and any person is invited and encouraged to report anything appearing or suspected of being non-ethical to our Lead Director, in confidence. The Lead Director has the power to hire professional assistance to conduct an internal investigation should he so fell required.

6. Nomination of Directors

(a) Describe the process by which the board identifies new candidates for board nomination.	The Board of Directors adopted and implemented a Human Resources Committee Charter which integrates the Compensation Committee Charter and the Nominating and Governance Committee Charter. The Human Resources Committee is responsible for nomination, assessment and compensation of directors and Officers.

(b) Disclose whether or not the board has a nominating committee composed entirely of independent directors. If the board does not have a nominating committee composed entirely of independent directors, describe what steps the board takes to encourage an objective nomination process.	The Human Resources Committee consists of five members all of who are independent Directors. The Chairman of the Human Resources Committee is Mr. Guy Marier. The Human Resources Committee Charter foresees: • recommending a process for assessing the performance of the Board of Directors as a whole, the Chair of the Board of Directors and the Committee chairs and the contribution of individual directors, and seeing to its implementation; • recommending the competencies, skills and personal qualities required on the Board of Directors in order to create added value, taking into account the opportunities and risks faced by the Corporation and subsequently identifying and recommending to the Board of Directors.
(c) If the board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.	
7. Compensation	
(a) Describe the process by which the board determines the compensation for the issuer's directors and officers.	The Human Resources Committee reviews periodically compensation policies in light of market conditions, industry practice and level of responsibilities. Only independent Directors are compensated for acting as a Director of the Corporation.
(b) Disclose whether or not the board has a compensation committee composed entirely of independent directors. If the board does not have a compensation committee composed entirely of independent directors, describe what steps the board takes to ensure an objective process for determining such compensation.	The Human Resources Committee consists of five members all of who are independent Directors. The Chairman of the Human Resources Committee is Mr. Guy Marier.
(c) If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.	The Human Resources Committee Charter foresees: • The Committee to review and approve on an annual basis with respect to the annual compensation of all senior officers which namely includes the assessment of risks associated with the compensation of such senior officers; • The Committee to review and approve, on behalf of the Board of Directors or in collaboration with the Board of Directors as applicable, on the basis of the attribution authorized by the Board of Directors, to whom options to purchase shares of the Corporation, RSUs or DSUs shall be offered as the case may be and if so, the terms of such options, RSUs or DSUs in accordance with the terms of the Corporation's LTIP or the Deferred Share Unit Plan provided that no options, RSUs or DSUs shall be granted to members of this committee without the approval of the Board of Directors; • The Committee to recommend to the Board of Directors from time to time the remuneration to be paid by the Corporation to Directors; • The Committee to make recommendations to the Board of Directors with respect to the Corporation's incentive compensation plans and equity-based plans.

8.	**Other Board Committees** – If the board has standing committees other than the audit, compensation and nominating committees identify the committees and describe their function.	The Board of Directors has no other standing committee.
9.	**Assessments** – Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees, and its individual directors are performing effectively.	The Board of Directors assumes direct responsibility for the monitoring of the Board of Directors' corporate governance practices, the functioning of the Board of Directors and the powers, mandates and performance of the Human Resources Committee. The Human Resources Committee, composed solely of independent Directors, initiates a self-evaluation of the Board of Directors' performance on an annual basis. Questionnaires are distributed to each independent director for the purpose of evaluation the Board of Directors' responsibilities and functions and the performance of the Board of Directors' Committees. The results of the questionnaires are compiled on a confidential basis to encourage full and frank commentary and are discussed at the next regular meeting of the Human Resources Committee or Independent Board of Directors members meeting.