

Notice of Annual and Special Meeting of Shareholders

to be held on May 5, 2017

and

Management Information Circular

March 2, 2017



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Notice of Annual and Special Meeting of Shareholders

Take Notice that the annual and special meeting (the “Meeting”) of holders (“Shareholders”) of common shares (“Shares”) of Morneau Shepell Inc. (the “Company”) will be held at the Arcadian Loft, Simpson Tower, 8th Floor, 401 Bay Street, Toronto, Ontario, M5H 2Y4 on Friday, May 5, 2017, at 11:00 a.m. (Eastern Time) for the following purposes:

- (1) To receive the consolidated financial statements of the Company for the financial period that ended December 31, 2016, together with the report of the auditors thereon;
- (2) To elect the Directors of the Company for the ensuing year;
- (3) To appoint the auditors of the Company and authorize the Directors of the Company to fix their remuneration;
- (4) To consider and, if deemed advisable, to approve (i) a new 2017 long term incentive plan and approve a grant of units made by the Directors under such plan, and (ii) a new directors’ deferred share unit plan, as more particularly described in the accompanying Management Information Circular (the “Circular”);
- (5) To consider and if deemed advisable, to re-approve the Company’s amended and restated 2011 long term incentive plan, as more particularly described in the Circular;
- (6) To consider and if deemed advisable, to re-approve the Company’s employee share purchase plan and approve certain amendments thereto, as more particularly described in the Circular;
- (7) To consider and, if deemed advisable, to approve the Company’s shareholder rights plan, as more particularly described in the Circular; and
- (8) To transact such other business as may properly come before the Meeting or any adjournment thereof.

The Circular provides additional information relating to the matters to be dealt with at the Meeting and forms part of this Notice.

The Management’s Discussion and Analysis of financial condition and results of operations, the Audited Consolidated Financial Statements of the Company and the Auditors’ Report to the Shareholders for the financial period ended December 31, 2016 are posted at morneaushepell.com and sedar.com.

A Shareholder who is unable to be present at the Meeting and who wishes to appoint some other person (who need not be a Shareholder) to represent him or her at the Meeting, may do so either by striking out the names set forth in the enclosed form of proxy and inserting such person’s name in the blank space provided therein or by completing another proper form of proxy, and, in either case, by returning the completed proxy in the pre-addressed return envelope provided for that purpose, to CST Trust Company no later than 5:00 p.m. (Eastern Time) on May 3, 2017. The record date for determining those Shareholders entitled to receive notice and to vote at the Meeting is the close of business on March 20, 2017.

Dated at Toronto, Ontario, this 2nd day of March, 2017.

By Order of the Directors of Morneau Shepell Inc.



Susan Marsh, Corporate Secretary
Morneau Shepell Inc.

Definitions

Definitions: In this Circular, the following expressions have these meanings:

"2011 LTIP" means the Company's long term incentive plan dated January 1, 2011 as amended and restated March 2, 2017;

"2011 LTIP Units" means collectively the 2011 RSUs, the Retirement DSUs and the Post-Retirement DSUs;

"2011 RSUs" means the restricted share units of the Company granted under the 2011 LTIP;

"Adjusted EBIT" means Adjusted EBITDA as calculated and defined in the Morneau Shepell Management's Discussion and Analysis for the year ended December 31, 2016, less depreciation and amortization excluding acquisition related amortization;

"Beneficial Shareholders" means the Shareholders who do not hold Shares in their own names;

"Board" means the Board of Directors of Morneau Shepell Inc.;

"CDS" means CDS Clearing and Depository Services Inc.;

"CEO" means the President and Chief Executive Officer;

"CFO" means the Chief Financial Officer;

"Circular" or **"Management Information Circular"** means this management information circular of Morneau Shepell Inc. dated March 2, 2017;

"COO" means the Chief Operating Officer;

"Code" means the Morneau Shepell Code of Business Conduct and Ethics;

"Company" or **"Morneau Shepell"** means Morneau Shepell Inc.;

"Director DSU Plan" means the Directors' deferred share unit plan dated March 2, 2017;

"Director DSUs" means the deferred share units of the Company granted to Directors under the Director DSU Plan;

"Directors" means the directors of the Company;

"DSUs" means the New DSUs and Retirement DSUs as applicable;

"ESPP" means the Company's employee share purchase plan as amended and restated on March 2, 2017;

"EVP" means Executive Vice President;

"Governance Committee" means the Governance and Nominating Committee of the Board;

"HR Committee" means the Human Resources Committee of the Board;

"LTIP" or **"Long Term Incentive Plan"** means both the 2011 LTIP and New LTIP;

"LTIP Participants" means the employees and Directors of Morneau Shepell to whom LTIP Units have been granted;

"LTIP Units" means the 2011 LTIP Units, the New LTIP Units and the Director DSUs;

"Meeting" means the annual and special meeting of the shareholders of Morneau Shepell Inc. common shares to be held on Friday, May 5, 2017 as it may be adjourned from time to time;

"meeting materials" means the Notice of Annual and Special Meeting of Shareholders and the Management Information Circular and the form of proxy to be used by CDS as the sole registered Shareholder;

"Morneau Shepell" means Morneau Shepell Inc.;

"NEOs" or **"named executive officers"** means the Company's CEO, CFO and the three other most highly compensated executives;

"New DSUs" means the deferred share units of the Company granted under the New LTIP;

"New RSUs" means the restricted share units of the Company granted under the New LTIP;

"New LTIP" means the Company's long term incentive plan dated March 2, 2017;

"New LTIP/DSU Resolution" means the shareholder resolution more particularly described in paragraph four of the section entitled *"Business of the Meeting"*;

"New LTIP Units" means collectively the New RSUs, New DSUs and PSUs;

"Post-Retirement DSUs" means the post-retirement deferred share units of the Company granted under the 2011 LTIP;

"Preferred Shares" means the preferred shares which form part of Morneau Shepell's authorized capital;

"PSUs" means the performance share units of the Company granted under the New LTIP;

"Retirement DSUs" means the retirement deferred share units of the Company granted under the 2011 LTIP;

"RSUs" means the 2011 RSUs and the New RSUs as applicable;

"Shareholders" means the holders of Shares;

"Shares" means the common shares of the Company;

"TSR" means total shareholder return; and

"TSX" means the Toronto Stock Exchange.

Management Information Circular

The Directors of Morneau Shepell Inc. (the “Company” or “Morneau Shepell”), in conjunction with the management of Morneau Shepell, are pleased to announce the Company’s 2017 annual and special meeting (the “Meeting”). The management of Morneau Shepell has prepared this Management Information Circular, and is asking you to vote and is soliciting proxies for the matters to be considered at the Meeting of holders (the “Shareholders”) of common shares (“Shares”) of the Company. The record date for notice and voting at the Meeting (the “Record Date”) is March 20, 2017.

The Company

Morneau Shepell was incorporated on October 19, 2010, pursuant to the provisions of the Business Corporations Act (Ontario) (the “OBCA”) and is the successor to Morneau Sobeco Income Fund, which was an income trust established on August 22, 2005. Morneau Shepell indirectly carries on its business through its operating subsidiary, Morneau Shepell Ltd., and its subsidiaries.

Morneau Shepell is a reporting issuer in all Canadian provinces and territories and, accordingly, is subject to the informational reporting requirements under the securities laws of each such jurisdiction. The principal and head office of Morneau Shepell is located at 895 Don Mills Road, Suite 700, Toronto, Ontario M3C 1W3.

As at March 2, 2017 there were 53,228,470 Shares outstanding.

Proxy Solicitation And Voting At The Meeting

Solicitation of Proxies and Voting Instructions

This Management Information Circular is furnished in connection with the solicitation of proxies for use at the Meeting to be held at the Arcadian Loft, Simpson Tower, 8th Floor, 401 Bay Street, Toronto, ON M5H 2Y4 on Friday, May 5, 2017 at 11:00 a.m. (Eastern Time) and, at any adjournment thereof, for the purposes set forth in the accompanying Notice of Annual and Special Meeting of Shareholders. In addition to the use of mail, proxies may be solicited in person, by telephone or by other means of communication, or by employees of the Company, who will not be remunerated therefore. The Company reserves the right to retain proxy solicitation services or dealers, for appropriate compensation, but has no current plans to do so. The Company is bearing the cost of the solicitation of the proxies.

Appointment of Proxies

The persons named in the enclosed form of proxy are Directors. A registered Shareholder who wishes to appoint some other person to represent him/her at the Meeting may do so by inserting such person’s name in the blank space provided in the form of proxy or by completing another proper form of proxy. Such other person need not be a Shareholder.

To be valid, proxies must be returned to CST Trust Company so as to arrive no later than 5:00 p.m. (Eastern Time) on May 3, 2017 or, if the Meeting is adjourned, 48 hours (excluding Saturdays and holidays) before any reconvened meeting, or be deposited with the Chair of the Meeting prior to the commencement of the Meeting or any reconvened meeting. Proxies may be returned by: (1) facsimile to (416) 368-2502, or 1-866-781-3111, (2) mail (a) in the enclosed envelope, or (b) in an envelope addressed to CST Trust Company, Attn: Proxy Department, P.O. Box 721, Agincourt, Ontario M1S 0A1, (3) hand delivery to CST Trust Company, 320 Bay Street, B1 Level, Toronto, Ontario, M5H 4A6 or (4) sending a scanned copy by email to proxy@canstockta.com.

Information for Beneficial Holders of Securities

The information set forth in this section is of significant importance to Shareholders who do not hold Shares in their own names. Such holders, referred to in this Management Information Circular as “Beneficial Shareholders”, should note that since all Shares are held in the book-based system operated by CDS Clearing and Depository Services Inc. (“CDS”), only proxies deposited by CDS, as the sole registered Shareholder, can be recognized and acted upon at the Meeting. If Shares are listed in an account statement provided to a Beneficial Shareholder by a broker, then those Shares will not be registered in the Beneficial Shareholder’s name on the records of the Company. All such Shares will be registered under the name of CDS. Shares should only be voted upon the instructions of the Beneficial Shareholder. Without specific instructions, brokers/nominees are generally prohibited from voting Shares on behalf of their clients. In accordance with applicable securities laws, the Company has distributed copies of this Notice of Annual and Special Meeting of Shareholders and Management Information Circular and the form of proxy to be used by CDS as the sole registered Shareholder (collectively, the “meeting materials”) to CDS and intermediaries for onward distribution to Beneficial Shareholders. The Company will reimburse intermediaries for out of pocket costs of delivery.

Intermediaries are required to forward meeting materials to Beneficial Shareholders unless a Beneficial Shareholder has waived the right to receive them. Typically, intermediaries will use service companies to forward the meeting materials to Beneficial Shareholders. Beneficial Shareholders who have not waived the right to receive meeting materials will either:

- a) be given a voting instruction form that must be completed and signed by the Beneficial Shareholder in accordance with the directions on the voting instruction form, which may in some cases permit the completion of the voting instruction form by telephone or through the Internet; or
- b) less frequently, be given a proxy that has already been signed by the intermediary (typically by a facsimile, stamped signature), which is restricted as to the number of Shares beneficially owned by the Beneficial Shareholder but which is otherwise uncompleted. This form of proxy need not be signed by the Beneficial Shareholder. In this case, the Beneficial Shareholder who wishes to submit a proxy should otherwise properly complete the form of proxy received from the intermediary and deposit it as soon as practicable but no later than 5:00 p.m. (Eastern Time) on May 3, 2017 with the CST Trust Company, Attn: Proxy Department, P.O. Box 721, Agincourt, Ontario M1S 0A1.

The purpose of these procedures is to permit Beneficial Shareholders to direct the voting of the Shares they beneficially own. **A Beneficial Shareholder has the right to appoint a person or company to represent the Beneficial Shareholder at the Meeting other than the person or company, if any, designated in the form of proxy or voting instruction form.**

Should a Beneficial Shareholder who receives either a proxy or a voting instruction form wish to attend and vote at the Meeting in person, or have another person attend and vote on behalf of the Beneficial Shareholder, the Beneficial Shareholder should strike out the names of the persons named in the proxy and insert the Beneficial Shareholder’s or such other person’s name in the blank space provided or, in the case of a voting instruction form, follow the corresponding instructions on the form. In either case, Beneficial Shareholders should carefully follow the instructions of their intermediaries and their service companies.

If you are a Beneficial Shareholder and wish to vote in person at the Meeting, please review the voting instructions provided to you or contact your broker or agent well in advance of the Meeting to determine how you can do so.

Revocation of Proxies

A registered Shareholder who has given a proxy may revoke the proxy:

- a) by completing a proxy signed by the Shareholder or by the Shareholder’s attorney, authorized in writing, bearing a later date, and depositing it with the transfer agent as described above; or

- b) by depositing an instrument of revocation in writing, executed by the Shareholder or by the Shareholder's attorney, authorized in writing:
 - (i) at the registered office of the Company at any time up to and including the last business day preceding the day of the Meeting, or any adjournment of the Meeting, at which the proxy is to be used, or
 - (ii) with the Chair of the Meeting prior to the exercise of the proxy; or
- c) in any other manner permitted by law.

A Beneficial Shareholder may revoke a voting instruction form or a waiver of the right to receive meeting materials and to vote given to an intermediary at any time by written notice to the intermediary, except that an intermediary may not act on a revocation of a voting instruction form or of a waiver of the right to receive meeting materials and to vote that is not received by the intermediary in sufficient time prior to the Meeting.

Voting of Proxies

The persons named in the accompanying form of proxy, who are Directors, will vote or withhold from voting Shares in respect of which they are appointed, on any ballot that may be called for, in accordance with the instructions of the Shareholder as indicated on the proxy and, if the Shareholder specifies a choice with respect to any matter to be acted upon, the Shares will be voted accordingly. In the absence of such specification, such Shares will be voted FOR all of the matters to be acted upon as set out herein. The persons appointed under the form of proxy are conferred with discretionary authority with respect to amendments or variations of those matters specified in the form of proxy and Notice of Annual and Special Meeting of Shareholders, which may be properly brought before the Meeting. In the event that amendments or variations to matters identified in the Notice of Annual and Special Meeting of Shareholders are properly brought before the Meeting, it is the intention of the persons designated in the enclosed form of proxy to vote in accordance with their judgment on such matter or business. At the time of printing this Management Information Circular, the Directors knew of no such amendment or variation.

Business of the Meeting

1. Financial Statements

The Audited Consolidated Financial Statements of the Company for the period ended December 31, 2016, together with the Auditors' Report on those statements, are available at morneaushepell.com and sedar.com, and will be presented to Shareholders at the Meeting.

2. Election of Directors

The nominees for Directors of the Company are listed and described below under "Election of Directors". Unless otherwise instructed, the persons designated in the form of proxy intend to vote for the election of the nominees listed in this Management Information Circular. If, for any reason at the time of the Meeting, any of the nominees are unable to serve as Directors, and unless otherwise directed, the persons named in the form of proxy intend to vote in their discretion for a substitute nominee or nominees.

3. Appointment of Auditors

The Directors propose that the firm KPMG LLP be appointed as the auditors of the Company for the 2017 financial year. KPMG LLP has served as auditors to the Company since its inception. Unless otherwise directed, the persons named in the form of proxy intend to vote for the resolution in respect of KPMG LLP.

4. Approval of the New LTIP and Directors' DSU Plan

At the Meeting, Shareholders will be asked to consider and if deemed advisable, to pass, with or without modification, an ordinary resolution (the "New LTIP/DSU Resolution") approving (i) a new long term incentive plan dated March 2, 2017 (the "New LTIP"); and (ii) a new directors' deferred share unit plan dated March 2, 2017 (the "Director DSU Plan").

The Board recommends that Shareholders vote in favour of the approval of the New LTIP/DSU Resolution. The full text of the New LTIP/DSU Resolution is attached as Schedule "A" hereto. The persons named in the form of proxy, unless expressly directed to the contrary in such form of proxy, will vote such proxies in favour of the New LTIP/DSU Resolution.

If the New LTIP and Director DSU Plan are not approved by the Shareholders, the Company will continue to make grants under the 2011 LTIP (as defined below) and the existing deferred share units held by Directors under the 2011 LTIP will not transfer to the Director DSU Plan as described below.

(a) Approval of the New LTIP

The New LTIP will authorize the Company to grant restricted share units, deferred share units and performance share units to employees of the Company and its affiliates (the "Participants"), but not to Directors of the Company. The purpose of the New LTIP is to promote a greater alignment of interests between the Participants and the Shareholders. A copy of the New LTIP is posted on the Company's website at morneaushepell.com and will be filed on SEDAR at sedar.com after approval of the New LTIP/DSU Resolution.

Grants of New LTIP Units

Pursuant to the New LTIP, the Human Resources Committee of the Board (the "HR Committee") may grant Participants (i) restricted share units ("RSUs"); (ii) deferred share units ("DSUs"); and (iii) performance share units ("PSUs"). The RSUs, DSUs and PSUs are collectively referred to as the "New LTIP Units".

PSUs may be granted at the discretion of the HR Committee based on performance measures determined annually (the "Performance Measures"), which consists of a defined metric or set of metrics and performance objectives and may also include an adjustment factor (the "Performance Adjustment Factor") that is linked to the achievement of thresholds set out in the Performance Measures. The HR Committee will provide a schedule to each Participant that links levels of performance to a relevant Performance Adjustment Factor. Prior to the vesting of each Participant's PSU for a performance period, an adjusted award of PSUs (the "Adjusted Award") will be calculated as follows:

$$\text{Adjusted Award} = \text{PSUs in a Participant's LTIP Account} \times \text{Performance Adjustment Factor for such Participant}$$

The HR Committee has the right in its sole discretion, to make adjustments to the calculation of any grant of PSUs or any Adjusted Award to account for significant events which may affect the value of the Shares. See the section entitled "Equity Based Compensation – Long Term Incentive Plan" for a description of the Performance Measures for the grant of PSUs made in 2017.

Vesting and Redemption of New LTIP Units

Each RSU vests three years after the date of grant and is redeemable, at the election of the Participant (subject to certain restrictions) for either one Share or for an amount in cash equal to the fair market value of one Share, which is equal to the volume weighted average trading price of a Share on the TSX for the five business days preceding the applicable date. The DSUs vest three years after the date of grant and become redeemable only on the Participant's termination of employment. Each DSU is redeemable, at the election of the Company, for either one Share or for an amount in cash equal to the fair market value of one Share. The PSUs vest when the Board approves the audited financial statements for the final fiscal year of the performance period to which such PSUs relate. Following any adjustments based on performance during the relevant performance period, each PSU is redeemable, at the election of the Participant (subject to certain restrictions) for either one Share or for an amount in cash equal to the fair market value of one Share.

If the redemption date for any New LTIP Units falls within a blackout period imposed by the Company, the effective redemption date for such New LTIP Units will be no earlier than six business days after the date on which the blackout periods ends.

Cessation of Entitlements under the New LTIP

Except in certain circumstances (such as the death, disability or retirement of a Participant), all vested and unvested New LTIP Units shall terminate on a Participant's termination date and the Participant will have no right to receive any New LTIP Units or entitlements under the New LTIP whatsoever. When a Participant dies or becomes disabled, the Company will have 90 days from the date of death or incapacity to issue the Shares or make a cash payment for the vested New LTIP Units. When a Participant retires, in certain circumstances all of the Participant's New LTIP Units will remain outstanding and once vested may be redeemed by the Participant in accordance with the terms of the New LTIP. Upon termination without cause, death or disability, a pro rata portion of a Participant's unvested New LTIP Units shall vest.

Maximum Number of Shares Issuable

The maximum number of Shares issuable pursuant to the New LTIP and the 2011 LTIP together shall not exceed 5.9% of the aggregate number of Shares outstanding from time to time on a non-diluted basis. The number of Shares issued or issuable under the New LTIP and all other security based compensation plans of the Company shall not exceed 7.9% of the aggregate number of Shares outstanding from time to time, subject to adjustment in certain circumstances as contemplated in the New LTIP. As of the date of this Circular, the initial 5.9% plan maximum for the New LTIP and 2011 LTIP together, will be equal to 3,140,480 Shares. The prescribed maximums may be subsequently increased to any specified amount, provided the change is authorized by a vote of the Shareholders. Any increase in the issued and outstanding Shares will result in an increase in the available number of Shares issuable under the New LTIP, and any issuance of Shares pursuant to New LTIP Units granted under the New LTIP will make new grants available under the New LTIP effectively resulting in a re-loading of the number of Shares available to grant under the New LTIP. Pursuant to the current rules of the TSX, the New LTIP will require the approval of the Shareholders every three years.

The aggregate number of Shares issuable to insiders of the Company at any time under the New LTIP and under any other compensation arrangement of the Company shall not exceed 10% of the issued and outstanding Shares. Moreover, the number of Shares issued to insiders of the Company together with any other compensation arrangement of the Company that provides for the issuance of Shares from treasury, shall not, within a one-year period, exceed 10% of the issued and outstanding Shares.

Dividends and Distributions

If cash dividends or distributions are paid on the Shares, additional New LTIP Units will be credited to each Participant's LTIP Account (as defined in the New LTIP) ("Dividend Equivalents"). Such credit will occur once a year, on or about January 15. The number of Dividend Equivalents to be credited will be determined by dividing the aggregate cash distributions or dividends that would have been paid to such Participant if the New LTIP Units in the year preceding the credit date had been Shares by the fair market value of a Share on such date. New LTIP Units granted to Participants as Dividend Equivalents will be subject to the same vesting and other terms as the New LTIP Units to which they relate.

Assignability

The right to receive Shares and/or cash pursuant to New LTIP Units granted to a Participant may only be exercised by such Participant personally and may not be assigned.

Amendments to the New LTIP

Subject to regulatory requirements, the Board has the discretion to make amendments that it deems necessary, without having to obtain Shareholder approval. Such amendments include, without limitation, (i) amendments of a "housekeeping nature"; (ii) a change to the vesting or redemption provisions of any New LTIP Unit; and (iii) a change to the eligible Participants of the New LTIP.

Notwithstanding the foregoing, Shareholder approval will be required for: (i) any amendment to remove or exceed the insider participation limits; (ii) any increase in the aggregate number of Shares that may be issued under the New LTIP; (iii) any amendment that increases the length of the period after a “blackout period” during which New LTIP Units may be redeemed; (iv) any change which would permit New LTIP Units to be transferable or assignable, other than as is currently contemplated in the New LTIP; and (v) any amendment to the amendment provision of the New LTIP. Such Shareholder approval will exclude the votes of certain insiders when required by TSX rules.

New LTIP Grants

The Board adopted the New LTIP on March 2, 2017. Since the New LTIP was adopted, the following New LTIP Units have been granted to officers of the Company. These grants are subject to Shareholder approval as part of the New LTIP/DSU Resolution and will be cancelled if Shareholders do not approve the New LTIP/DSU Resolution.

Type of New LTIP Units Awarded	Number of New LTIP Units	Issue Price	Vesting Conditions
2016 Performance Awards - PSUs	33,488	\$18.99	3 year cliff vesting
2016 Performance Awards - RSUs	74,134	\$18.99	3 year cliff vesting
2016 Performance Awards - DSUs	10,532	\$18.99	Vesting based on contract
Total	118,154		

Provided the New LTIP/DSU Resolution is approved, there are an aggregate of 2,874,138 units outstanding under the 2011 LTIP (2,755,984 2011 LTIP Units) and New LTIP (118,154 New LTIP Units), representing 5.4% of the issued and outstanding Shares and there would be 266,342 Shares available for grant under the New LTIP and 2011 LTIP, collectively, representing approximately 0.5% of the issued and outstanding Shares.

(b) Approval of the Director DSU Plan

The Director DSU Plan will authorize the Company to grant deferred share units to non-employee Directors of the Company (the “Director Participants”). The purpose of the Director DSU Plan is to promote a greater alignment of interests between the Director Participants and the Shareholders. A copy of the Director DSU Plan is posted on the Company’s website at www.morneaushepell.com and will be filed on SEDAR at sedar.com after approval of the New LTIP/DSU Resolution.

Conditional on the approval of the New LTIP/DSU Resolution, each of the Directors who holds deferred share units granted under the 2011 LTIP has agreed to have such deferred share units governed by the new Director DSU Plan going forward, so such deferred share units will no longer be outstanding under the 2011 LTIP. If the Director DSU Plan and New LTIP are not approved by the Shareholders, the Company will continue to make grants under the 2011 LTIP (as defined below) and the existing deferred share units held by Directors under the 2011 LTIP will not transfer to the Director DSU Plan.

Grants of Director DSUs

Pursuant to the Director DSU Plan, the HR Committee may grant deferred share units (“Director DSUs”) to Director Participants. In addition, at the discretion of the HR Committee, Director Participants may be provided with the ability to elect to receive all or a portion of their annual board fees in the form of Director DSUs.

Vesting and Redemption of Director DSUs

Each Director DSU vests on the grant date, as determined by the HR Committee. Director DSUs are redeemable only after the Director Participant ceases to be a Director for either (at the election of the Company) one Share or for an amount in cash equal to the fair market value of one Share, which is equal to the volume weighted average trading price of the Share on the TSX for the five business days preceding the applicable date.

Maximum Number of Shares Issuable

The maximum number of Shares issuable pursuant to the Director DSU Plan alone shall not exceed 1.0% of the aggregate number of Shares outstanding from time to time on a non-diluted basis. The number of Shares issued or issuable under the Director DSU Plan and all other security based compensation plans of the Company shall not exceed 7.9% of the aggregate number of Shares outstanding from time to time, subject to adjustment in certain circumstances as contemplated in the Director DSU Plan. As of the date of this Circular, the initial Director DSU Plan maximum of 1.0% will be equal to 532,285 Shares and there would be 411,062 Shares available for grant under the Director DSU Plan, representing approximately 0.8% of the issued and outstanding Shares. The prescribed maximums may be subsequently changed to any specified amount, provided the change is authorized by a vote of the Shareholders. Any increase in the issued and outstanding Shares will result in an increase in the available number of Shares issuable under the Director DSU Plan, and any issuance of Shares pursuant to Director DSUs granted under the Director DSU Plan will make new grants available under the Director DSU Plan effectively resulting in a re-loading of the number of Shares available to grant under the Director DSU Plan.

The aggregate number of Director DSUs that may be granted to Director Participants within any one-year period under the Director DSU Plan shall not exceed \$150,000 per Director Participant. Pursuant to the current rules of the TSX, the Director DSU Plan will require the approval by a majority of the Directors and the Shareholders every three years.

The aggregate number of Shares issuable to insiders of the Company at any time under the Director DSU Plan and any other compensation arrangement of the Company shall not exceed 10% of the issued and outstanding Shares. Moreover, the number of Shares issued to insiders of the Company together with any other compensation arrangement of the Company that provides for the issuance of Shares from treasury, shall not, within a one-year period, exceed 10% of the issued and outstanding Shares.

Assignability

The right to receive Shares and/or cash pursuant to Director DSUs granted to a Director Participant may only be exercised by such Director personally and may not be assigned.

Amendments to the Director DSU Plan

Subject to regulatory requirements, the Board has the discretion to make amendments that it deems necessary, without having to obtain Shareholder approval. Such amendments include, without limitation, (i) amendments of a “housekeeping nature”; (ii) a change to the vesting or redemption provisions of any Director DSU; and (iii) a change to the eligible participants of the Director DSU Plan.

Notwithstanding the foregoing, Shareholder approval will be required for: (i) any amendment to remove or exceed the insider participation limits; (ii) any increase in the aggregate number of Shares that may be issued under the Director DSU Plan; (iii) any amendment that increases the length of the period after a “blackout period” during which Director DSUs may be redeemed; (iv) any change which would permit Director DSUs to be transferable or assignable, other than as is currently contemplated in the Director DSU Plan; and (v) any amendment to the amendment provision of the Director DSU Plan. Such Shareholder approval will exclude the votes of certain insiders when required by TSX rules.

DSUs Outstanding

Provided that the New LTIP/DSU Resolution is approved, there would be 121,223 Director DSUs outstanding under the Director DSU Plan, representing approximately 0.2% of the number of Shares issued and outstanding on a non-diluted basis, which represents the deferred share units that were previously granted under the 2011 LTIP (as defined below).

5. Re-Approval of the Amended and Restated 2011 LTIP

At the Meeting, Shareholders will be asked to consider and if deemed advisable, to pass, with or without modification, an ordinary resolution (the “2011 LTIP Resolution”) approving all unallocated 2011 LTIP Units (as defined below) under the Company’s existing long term incentive plan dated January 1, 2011, as amended and restated on March 2, 2017 (the “2011 LTIP”).

The Board recommends that Shareholders vote in favour of the approval of the 2011 LTIP Resolution. The full text of the 2011 LTIP Resolution is attached as Schedule “B” hereto. The persons named in the form of proxy, unless expressly directed to the contrary in such form of proxy, will vote such proxies in favour of the 2011 LTIP Resolution.

The 2011 LTIP was adopted on January 1, 2011 and unallocated 2011 LTIP Units were last approved by the Shareholders at a meeting held on May 13, 2014. Pursuant to the current rules of the TSX, the Company is required to obtain Shareholder approval of the unallocated 2011 LTIP Units every three years.

On March 2, 2017, the Board approved amendments to the 2011 LTIP to (i) revise the maximum number of Shares that may be issued under the 2011 LTIP to provide that (A) the maximum number of Shares issuable pursuant to the 2011 LTIP and the New LTIP together shall not exceed 5.9% of the aggregate number of Shares outstanding from time to time on a non-diluted basis; and (B) the number of Shares issued or issuable under the 2011 LTIP and all other security based compensation plans of the Company shall not exceed 7.9% (previously 10%) of the aggregate number of Shares outstanding from time to time on a non-diluted basis, to be consistent with the New LTIP and Director DSU Plan; (ii) cease any further grants under the 2011 LTIP (conditional on the approval of the New LTIP by Shareholders); and (iii) make certain administrative changes which would govern existing units which remain outstanding under the 2011 LTIP going forward. A copy of the 2011 LTIP (marked to show changes from the original version) is posted on the Company’s website at morneaushepell.com and will be filed on SEDAR at sedar.com after approval of the 2011 LTIP Resolution.

The initial purpose of the 2011 LTIP was to strengthen the link between compensation of the Company’s NEOs and the long term interests of the Shareholders. Such purpose will be maintained by future grants under the New LTIP and Director PSU Plan, as described below.

Under the 2011 LTIP, the HR Committee had the ability to grant (i) restricted share units (“2011 RSUs”); (ii) retirement deferred share units (“Retirement DSUs”); and (iii) post-retirement deferred share units (“Post-Retirement DSUs”) to employees and directors of the Company. In addition, at the discretion of the HR Committee, employees had the ability to elect to receive all or a portion of their annual bonus in the form of 2011 RSUs and/or Retirement DSUs. If the New LTIP/DSU Resolution is approved, only outstanding grants to employees of the Company will be governed by the 2011 LTIP. The 2011 RSUs, the Retirement DSUs and the Post-Retirement DSUs are collectively referred to as the “2011 LTIP Units”.

Each 2011 RSU generally vests three years after the date of grant (at the election of the Company) and is redeemable for either one Share or for an amount in cash equal to the fair market value of one Share which is equal to the volume weighted average trading price of a Share on the TSX for the five business days preceding the applicable date. The Retirement DSUs vest three years after the date of grant and become redeemable only on the participant’s termination of employment. Each Retirement DSU is redeemable (at the election of the Company) for either one Share or for an amount in cash equal to the fair market value of one Share which is equal to the volume weighted average trading price of a Share on the TSX for the five business days preceding the applicable date. The Post-Retirement DSUs vest at such times as determined by the HR Committee, with each Post-Retirement DSU being redeemable for one Share.

Except in certain circumstances (including the death of a participant, or the retirement of a participant (with respect to the Post-Retirement DSUs only)), all unvested 2011 LTIP Units shall terminate on a participant's termination date. Upon termination of a participant for cause, all vested 2011 LTIP Units shall terminate and the participant will have no right to receive any 2011 LTIP Units or entitlements whatsoever.

The maximum number of Shares issuable pursuant to grants under the 2011 LTIP and the New LTIP together shall not exceed 5.9% of the aggregate number of Shares outstanding from time to time on a non-diluted basis. The maximum number of Shares issuable pursuant to 2011 LTIP Units outstanding at any time under the 2011 LTIP, together with any Shares issuable pursuant to any other equity-based compensation plan of the Company, shall not exceed 7.9% of the aggregate number of Shares outstanding from time to time, subject to adjustment in certain circumstances as contemplated in the 2011 LTIP. As of the date of this Circular, the initial 5.9% plan maximum for the New LTIP and 2011 LTIP together will be equal to 3,140,480 Shares. Provided the New LTIP/DSU Resolution is approved, there are an aggregate of 2,874,138 units outstanding under the 2011 LTIP (2,755,984 2011 LTIP Units) and New LTIP (118,154 New LTIP Units), representing 5.4% of the issued and outstanding Shares and there would be 266,342 Shares available for grant under the New LTIP and 2011 LTIP, collectively, representing approximately 0.5% of the issued and outstanding Shares. If any 2011 LTIP Units granted under the 2011 LTIP are terminated or cancelled for any reason without the Shares issuable thereunder having been issued in full or if any Shares are issued pursuant to any 2011 LTIP Units granted under the 2011 LTIP, any such Shares will be available for the purposes of further grants under the New LTIP.

The aggregate number of Shares issuable to insiders of the Company at any time under the 2011 LTIP and any other share based compensation arrangement of the Company shall not exceed 10% of the issued and outstanding Shares. Moreover, the number of Shares issued to insiders of the Company together with any other compensation arrangement of the Company, shall not, within a one year period, exceed 10% of the issued and outstanding Shares.

The right to receive Shares and/or cash pursuant to 2011 LTIP Units granted to a participant may only be exercised by such participant personally and may not be assigned.

Subject to regulatory requirements, the Board has the discretion to make amendments that it deems necessary, without having to obtain shareholder approval. Such amendments include, without limitation, (i) amendments of a "housekeeping nature"; (ii) a change to the vesting or redemption provisions of any 2011 LTIP Unit; and (iii) a change to the eligible participants of the 2011 LTIP.

Notwithstanding the foregoing, Shareholder approval, which excludes the votes of certain insiders, is required for: (i) any amendment to remove or exceed the insider participation limits or non-employee director limits; (ii) any increase in the aggregate number of Shares that may be issued under the 2011 LTIP; (iii) any amendment that increases the length of the period after a "blackout period" during which 2011 LTIP Units may be redeemed; (iv) any change which would permit 2011 LTIP Units to be transferable or assignable, other than as is currently contemplated in the 2011 LTIP; and (v) any amendment to the amendment provision of the 2011 LTIP.

As of the date of this Circular, there are 2,755,984 units outstanding under the 2011 LTIP (not including the 121,223 Director DSUs which will be moved to the new Director DSU Plan upon approval of the New LTIP/DSU Resolution by the Shareholders), representing approximately 5.2% of the number of Shares issued and outstanding on a non-diluted basis. Conditional on the approval of the New LTIP/DSU Resolution, each of the Directors who holds deferred share units granted under the 2011 LTIP has agreed to have such deferred share units governed by the new Director DSU Plan going forward, so such deferred share units will no longer be outstanding under the 2011 LTIP (and would be deducted from the amount set forth above). If the New LTIP/DSU Resolution is not approved by the Shareholders, the existing deferred share units held by Directors under the 2011 LTIP will not transfer to the Director DSU Plan and the Company will continue to be able to make grants under the 2011 LTIP.

6. Re-Approval of the Amended and Restated ESPP

At the Meeting, Shareholders will be asked to consider and if deemed advisable, to pass, with or without modification, an ordinary resolution (the “ESPP Resolution”) re-approving the Company’s existing employee share purchase plan dated March 5, 2014, as amended and restated March 2, 2017 (the “ESPP”). Pursuant to the ESPP, Shareholder approval is required for certain amendments. As such, Shareholder approval is being sought for the following amendments to the ESPP: (i) increasing the Employer Contribution under the Market Purchase Method (each as defined below) from 11.11% to a range of between 11.11% and 25.00% as described below; and (ii) increasing the discount under the Treasury Method (as defined below) from 10% to a range of between 10% and 20% as described below.

The Board recommends that Shareholders vote in favour of the approval of the ESPP Resolution. The full text of the ESPP Resolution is attached as Schedule “C” hereto. The persons named in the form of proxy, unless expressly directed to the contrary in such form of proxy, will vote such proxies in favour of the ESPP Resolution. As the issuance of Shares from treasury pursuant to the ESPP requires Shareholder approval every three years, if the Shareholders do not approve the ESPP Resolution, then the treasury portion of the ESPP would effectively end and the Company would only be able to use the ESPP to financially assist the purchase of Shares in the open market under the Market Purchase Method (each as defined below).

The ESPP was adopted on August 13, 2013 and pursuant to the current rules of the TSX, the Company is required to obtain Shareholder approval of the ESPP every three years. The purpose of the ESPP is to encourage employees of the Company to invest in Shares and to allow the Company to provide Shares as an incentive to employees. Any employee of the Company and its affiliates (excluding Directors) may participate in the ESPP.

On March 2, 2017, the Board approved amendments to the ESPP as set out above as well as to revise the maximum number of Shares that may be issued under the ESPP to provide that (A) the maximum number of Shares issuable from treasury under the ESPP shall not exceed 1% of the aggregate number of Shares outstanding from time to time on a non-diluted basis; and (B) the number of Shares issued or issuable under the ESPP and all other security based compensation plans of the Company shall not exceed 7.9% (previously 10%) of the aggregate number of Shares outstanding from time to time on a non-diluted basis to be consistent with the new security based compensation plans of the Company. A copy of the ESPP (marked to show changes from the original version) is posted on the Company’s website at www.morneaushepell.com and will be filed on SEDAR at sedar.com after approval of the ESPP Resolution.

Eligible employees (“ESPP Participants”) may participate in the ESPP by way of payroll deduction. ESPP Participants are entitled to contribute up to 10% of their annual base salary to the ESPP (“Personal Contributions”). Personal Contributions will be made on each payroll cycle of the Company, which currently occurs twice monthly.

The ESPP provides for two methods of acquiring Shares for ESPP Participants, by purchasing Shares on the TSX or issuing Shares from treasury.

The Company may use Personal Contributions and Employer Contributions (as defined below) to purchase Shares on the TSX (the “Market Purchase Method”). In the Market Purchase Method for ESPP, the Company will make cash contributions to the ESPP (“Employer Contributions”) for the benefit of each ESPP Participant (who has completed 12 months of continuous service with the Company) in an amount between 11.11% and 25.00% of the cash amount of each ESPP Participant’s Personal Contribution, up to a maximum of \$1,000 per calendar year per ESPP Participant or such other amount as the Board, in its discretion, may approve.

The Company may also issue Shares from treasury to ESPP Participants (the “Treasury Method”). Under the Treasury Method, in lieu of the Company providing cash in the amount of the Employer Contribution, the Company will issue Shares from treasury to ESPP Participants at a discount ranging from 10% to 20% from the volume weighted average trading price of the Shares on the TSX for the five trading days immediately prior to the purchase date, representing an equivalent contribution of between 11.11% and 25.00% on the portion funded by the ESPP Participant. The discount is determined each year at the discretion of the Company. The Company will disclose the discount each year prior to Participants making contribution decisions.

The maximum number of Shares issuable from treasury pursuant to the ESPP alone shall not exceed 1.0% of the aggregate number of Shares outstanding from time to time on a non-diluted basis. The number of Shares reserved for issuance from treasury under the ESPP, together with all Shares issuable under any security compensation arrangement of the Company, shall not exceed 7.9% of the issued and outstanding Shares from time to time on a non-diluted basis (reduced from the existing 10% limit in the prior ESPP), to be consistent with the new security based compensation plans described above. As of the date of this Circular, the initial ESPP plan maximum for issuances of Shares from treasury of 1.0% will be equal to 532,285 Shares. No Shares have been issued from treasury under the ESPP. Any issuance of Shares under the ESPP from treasury shall make new issuances of Shares available under the ESPP, effectively resulting in a re-loading of the number of Shares available for the purposes of further issuances of Shares under the ESPP pursuant to the Treasury Method.

All Shares acquired under the ESPP will vest immediately upon purchase or issuance, as the case may be. However, if any ESPP Participant sells any portion of his or her Shares within 24 months of the date such Shares were acquired (the "Maturation Period"), the ESPP Participant will be automatically suspended from his or her participation in the ESPP for a period of 12 months. Following the Maturation Period and subject to any blackout period contemplated by the Company's insider trading policy ("Blackout Period"), an ESPP Participant's ability to transfer or withdraw Shares issued to or purchased on behalf of the ESPP Participant under the ESPP will not be restricted.

No right or interest of any ESPP Participant under the ESPP shall be assignable or transferable in whole or in part either directly or otherwise.

An ESPP Participant may voluntarily terminate his or her participation in the ESPP at any time outside of a Blackout Period. If an ESPP Participant ceases to be an employee of the Company for any reason or if the ESPP Participant is no longer an eligible employee for the purposes of the ESPP, the ESPP Participant's participation in the ESPP will automatically terminate as of such date. If the ESPP Participant's participation in the ESPP is terminated, the ESPP Participant, or in the case of death, the ESPP Participant's estate, will be entitled to receive the Shares purchased on behalf of and/or issued to such ESPP Participant under the ESPP. Alternatively, the ESPP Participant, or the ESPP Participant's estate, may direct the administrator of the ESPP to sell such Shares and distribute the net proceeds. In all instances, the ESPP Participant or the ESPP Participant's Estate will receive the cash equivalent for any fractional Shares.

No Shares shall be issued under the ESPP to an ESPP Participant if, together with any other share compensation arrangement of the Company, such issuance could result, at any time, in: (i) the number of Shares issuable to Insiders (as defined in National Instrument 55-104 – *Insider Reporting Requirements and Exemptions*) exceeding 10% of the issued and outstanding Shares at any time; or (ii) the number of Shares issued to Insiders exceeding, within any one-year period, 10% of the issued and outstanding Shares.

The Board has the authority to amend the ESPP or to terminate the ESPP, in whole or in part, without the prior approval of Shareholders. Without limiting the generality of the foregoing, the Board may make any amendment without shareholder approval: for the purpose of making formal, minor, administrative or technical modifications to any of the provisions of the ESPP, including amendments of a "housekeeping" nature; to correct any ambiguity, defective provision, error or omission in the provisions of the ESPP; or to amend the vesting, maturation, payment or withdrawal provisions of the ESPP or any Shares purchased under the ESPP with Personal Contributions or Employer Contributions.

However, no amendment to or termination of the ESPP may deprive an ESPP Participant of any benefits that have accrued to the date of the amendment or cause any Shares or cash held pursuant to the ESPP or any Personal Contributions or Employer Contributions to revert to or become the property of the Company. Notwithstanding the foregoing, Shareholder approval shall be required for any amendment: to increase the maximum number of Shares issuable under the ESPP; to increase the rate of Employer Contributions as described in the ESPP; to remove or exceed the insider participation limits

as described in the ESPP; to increase the discount on the purchase price of the Shares under the Treasury Method; to permit any interest in the Shares held in an ESPP Participant's account under the ESPP to be transferable or assignable; or to the amendment provisions of the ESPP.

As of the date of this Circular, no Shares have been issued from treasury under the ESPP.

7. Approval of the Shareholder Rights Plan

At the Meeting, Shareholders will be asked to consider and if deemed advisable, approve a shareholder rights plan agreement between the Company and CST Trust Company, as rights agent dated March 2, 2017 (the "Rights Plan"). The Rights Plan was adopted to ensure, to the extent possible, that all shareholders of the Company are treated fairly and equally in connection with any take-over bid or other acquisition of control of the Company. The Rights Plan has not been adopted in response to any specific take-over bid or other proposal to acquire control of Morneau Shepell and the Company is not aware of any such pending or contemplated proposals.

The following is a brief summary of the Rights Plan which is qualified in its entirety by reference to the complete text of the Rights Plan available on SEDAR at sedar.com.

Unless otherwise defined below, all capitalized terms shall have the meanings specified in the Rights Plan.

Objectives of the Rights Plan

The fundamental objectives of the Rights Plan are to provide adequate time for the Board and Shareholders to assess an unsolicited take-over bid for the Company, to provide the Board with sufficient time to explore and develop alternatives for enhancing and maximizing shareholder value if a take-over bid is made, and to provide Shareholders with an equal opportunity to participate in a take-over bid.

In adopting the Rights Plan, the Board considered the recent amendments to the regulatory framework governing Canadian take-over bids which came into effect on May 9, 2016. Of particular significance, the minimum period a take-over bid must remain open for deposits of securities was extended to 105 days (from the previous 35 days), with the ability of the target issuer to voluntarily reduce the period to not less than 35 days. In addition, the ability of an offeror to conduct a "partial" bid was restricted as an offeror can now not take up securities under a take-over bid unless more than 50% of the outstanding securities owned by persons other than the offeror and any joint actors have been deposited. The Rights Plan is consistent with these amendments and requires that a take-over bid for the securities of the Company satisfy certain minimum standards intended to promote fairness or have the approval of the Board.

Reconfirmation

The Rights Plan has been conditionally approved by the Toronto Stock Exchange and is subject to ratification by the Shareholders within six months of its effective date. The Rights Plan must be reconfirmed at every third annual meeting of Shareholders following the Meeting, or the Rights Plan and the Rights will otherwise terminate on the date of the meeting if the Rights Plan is not reconfirmed or presented for reconfirmation.

Issuance of Rights

The Rights Plan provides that one right (a "Right") was issued by the Company to Shareholders of record as of the close of business on March 2, 2017 in respect of each of the outstanding Shares. In addition, one Right will be issued in respect of each Share issued after the effective date of the Rights Plan and prior to the earlier of the Separation Time (as defined below) or the Expiration Time (as defined in the Rights Plan).

Trading of Rights

Notwithstanding the effectiveness of the Rights Plan, the Rights are not exercisable until the Separation Time and certificates representing the Rights will not be sent to the Shareholders. Certificates for the Shares issued after the effective date of the Rights Plan will contain a notation incorporating the Rights Plan by reference. Until the Separation Time, or earlier termination or expiry of the Rights, the Rights are evidenced by and transferred with the associated Shares and the surrender for transfer of any certificate representing Shares also will constitute the surrender for transfer of the Rights associated with those Shares. After the Separation Time, the Rights will become exercisable and begin to trade separately from the associated Shares. The initial "Exercise Price" under each Right in order to acquire a Common Share is three times the Market Price at the Separation Time. "Market Price" is generally defined as the average of the daily closing prices per Share on each of the 20 consecutive trading days through and including the trading day immediately preceding the Separation Time.

Separation of Rights

The Rights will become exercisable and begin to trade separately from the associated Shares at the Separation Time, which, unless deferred by the Board in the instances permitted by the Rights Plan, is generally the close of business on the tenth trading day after the earliest to occur of:

- (a) a public announcement that a person or a group of affiliated or associated persons has acquired beneficial ownership of 20% or more of the outstanding Voting Shares (i.e. become an "Acquiring Person") other than as a result of, among other things; (i) a reduction in the number of Voting Shares outstanding; (ii) a "Permitted Bid" or a "Competing Permitted Bid" (each as defined below); (iii) certain specified "Exempt Acquisitions" (as defined below); (iv) an acquisition by a person of Voting Shares pursuant to a stock dividend, stock split, dividend reinvestment plan, rights offering or other "Pro Rata Acquisition"; and (v) an acquisition by a person of Voting Shares upon the exercise, conversion or exchange of a security convertible, exercisable or exchangeable into a Voting Share received by a person pursuant to (ii), (iii) or (iv), above;
- (b) the date of commencement of, or the first public announcement of an intention of any person (other than the Company or any of its subsidiaries) to commence, a take-over bid (other than a Permitted Bid or a Competing Permitted Bid) where the Voting Shares subject to the bid, together with the Voting Shares beneficially owned by that person (including affiliates, associates and others acting jointly or in concert therewith), would constitute 20% or more of the outstanding Voting Shares; and
- (c) the date upon which a Permitted Bid or a Competing Permitted Bid ceases to be such.

An "Exempt Acquisition" would include the acquisition of Voting Shares or securities convertible into Voting Shares (i) in respect of which the Board has waived the application of the Rights Plan; (ii) pursuant to a distribution made under a prospectus or private placement provided that the person does not increase his, her or its ownership percentage in such transaction; (iii) pursuant to an amalgamation, arrangement or other statutory procedure requiring Shareholder approval; (iv) pursuant to other contractual arrangements in respect of a Voting Share acquisition from treasury entered into by the Company after the date of the Rights Plan provided that the person does not increase his, her or its ownership percentage in such transaction; and (v) pursuant to the exercise of Rights.

As soon as practicable, following the Separation Time, separate certificates evidencing rights ("Rights Certificates") will be mailed to the holders of record of the Shares as of the Separation Time and the Rights Certificates alone will evidence the Rights.

When Rights Become Exercisable

After the Separation Time, each Right entitles the holder thereof to purchase one Common Share at the Exercise Price. Following a transaction that results in a person becoming an Acquiring Person (a “Flip-in Event”), the Rights entitle the holder thereof to receive, upon exercise, such number of Shares that have an aggregate market value (as of the date of the Flip-in Event) equal to twice the then Exercise Price for an amount in cash equal to the Exercise Price. In such event, however, any Rights beneficially owned by an Acquiring Person (including affiliates, associates and others acting jointly or in concert therewith), or certain transferees of any such person, will be void. By permitting holders of Rights other than an Acquiring Person to acquire Shares at a discount to the Market Price, the Rights have the potential to cause substantial dilution to an Acquiring Person. Accordingly, the Rights Plan acts as a deterrent to potential Acquiring Persons and forces them to either make a Permitted Bid or negotiate with the Board to avoid application of the Shareholder Rights Plan.

Permitted Bids

The Rights Plan includes a “Permitted Bid” concept whereby a take-over bid will not trigger a separation of the Rights (and will not cause the Rights to become exercisable) if the bid meets certain conditions. A “Permitted Bid” is defined as an offer to acquire Voting Shares made by means of a take-over bid circular where the Voting Shares (including Voting Shares that may be acquired upon conversion of securities convertible into Voting Shares) subject to the offer, together with Voting Shares beneficially owned by the offeror at the date of the offer (including its affiliates, associates and others acting jointly or in concert therewith), constitute 20% or more of the outstanding Voting Shares and that also complies with the following additional provisions:

(a) the bid must be made to all the holders of Voting Shares as registered on the books of the Company, other than the offeror; and

(b) the bid must also contain the following irrevocable and unqualified conditions: (i) no Voting Shares will be taken up or paid for prior to the close of business on the 105th day following the date of the bid and then only if more than 50% of the Voting Shares held by Independent Shareholders (as defined below) have been deposited or tendered to the bid and not withdrawn, (ii) Voting Shares may be deposited pursuant to the bid, unless it is withdrawn, at any time prior to the date Voting Shares are first taken up or paid for under the bid, (iii) Voting Shares deposited pursuant to the bid may be withdrawn until taken up or paid for, and (iv) if the deposit condition referred to in (b)(i) above is satisfied, the offeror will extend the bid for deposit of Voting Shares for at least 10 business days from the date such extension is publicly announced and, if such bid is a partial bid, not take up any Voting Shares under the bid until the expiry of such 10 business day period.

“Independent Shareholders” is defined generally as holders of Voting Shares other than (i) an Acquiring Person, (ii) any offeror making a take-over bid, (iii) any affiliate or associate of an Acquiring Person or offeror, (iv) persons acting jointly or in concert with an Acquiring Person or offeror, and (v) employee benefit, stock purchase or certain other plans or trusts for employees of the Company unless the beneficiaries of such plans or trusts direct the voting or tendering to a take-over bid of the Voting Shares.

Competing Permitted Bids

A “Competing Permitted Bid” is a take-over bid made after a Permitted Bid has been made and prior to expiry of such Permitted Bid that satisfies all of the provisions of a Permitted Bid, except that it must remain open for acceptance until at least the later of the last day on which the Take-over Bid must be open for acceptance after the date of that Take-over Bid under applicable Canadian provincial securities legislation and the earliest date on which Shares may be taken up or paid for under any Prior Bid in existence at the date of that Take-over Bid, and only if at that date more than 50% of the Voting Shares owned by Independent Shareholders have been deposited to the Competing Permitted Bid and not withdrawn.

Redemption and Waiver

Under the Rights Plan, the Board can (i) waive the application of the Rights Plan to enable a particular take-over bid to proceed, in which case the Rights Plan will be deemed to have been waived with respect to any other take-over bid made prior to the expiry of any bid subject to such waiver, or (ii) with the prior approval of the holders of Voting Shares or Rights, as the case may be, redeem the Rights at a redemption price of \$0.00001 per Right at any time prior to a Flip-in-Event. Rights are deemed to have been redeemed if a bidder successfully completes a Permitted Bid or a Competing Permitted Bid.

Protection Against Dilution

The Exercise Price, the number and nature of Shares that may be purchased upon the exercise of Rights and the number of Rights outstanding are subject to adjustment from time to time to prevent dilution in the event of stock dividends, subdivisions, consolidations, reclassifications or other changes in the outstanding Shares, pro rata distributions to holders of Shares and other circumstances where adjustments are required to appropriately protect the interests of the holders of Rights.

Supplements and Amendments

The Company may, without the approval of the holders of common shares or Rights, make amendments to (i) correct clerical or typographical errors and (ii) to maintain the validity and effectiveness of the Rights Plan as a result of any change in applicable law, rule or regulatory requirement. Any amendment referred to in (ii) must, if made before the Separation Time, be submitted for approval to the holders of Voting Shares at the next meeting of shareholders and, if made after the Separation Time, must be submitted to the holders of Rights for approval.

At any time before the Separation Time, the Company may with prior written consent of the shareholders amend, vary or rescind any of the provisions of the Rights Plan or the Rights, whether or not such action would materially adversely affect the interests of the Rights generally, in order to effect any amendments, variations or rescissions of any of the provisions of the Rights Plan which the Board, acting in good faith, considers necessary or desirable. At any time after the Separation Time, the Company may with prior written consent of the holders of Rights amend, vary or rescind any of the provisions of the Rights Plan or the Rights, whether or not such action would materially adversely affect the interests of the Rights generally.

Vote Required and Recommendation of the Board

The text of the resolution to approve the Rights Plan to be submitted to Shareholders at the Meeting is set forth at Schedule "D" hereto (the "Rights Plan Resolution"). In addition to approving the Rights Plan, the Rights Plan Resolution also approves any amendments to the Rights Plan to respond to any requirements which may be raised by any stock exchange or professional commentators on shareholder rights plans in order to conform the Rights Plan to versions of shareholder rights plans currently prevalent for reporting issuers in Canada. The Company believes that the Rights Plan is consistent with the form of shareholder rights plans now prevalent for public companies in Canada and so it does not anticipate that any such further amendments will be required, but the resolution provides the Company with the necessary authority to make such amendments should the need arise.

To be approved, the Rights Plan Resolution must be passed by the affirmative votes cast by Independent Shareholders of not less than a majority of the Shares represented in person or by proxy at the Meeting that vote on the Rights Plan Resolution. Except where a Shareholder who has given the proxy directs that his or her Shares be voted against the Rights Plan Resolution, the persons named in the accompanying form of proxy will vote in favour of the approval of the Rights Plan Resolution.

The Board believes that the adoption of the Rights Plan is in the best interests of the Company and its Shareholders and, accordingly, recommends that Shareholders vote FOR the Rights Plan Resolution.

8. Other Business

The Directors know of no matter to come before the Meeting other than the matters referred to in the accompanying Notice of Annual and Special Meeting of Shareholders.

Number of Shares

As of March 2, 2017, 53,228,470 Shares are issued and outstanding. Each holder of a Share is entitled to one vote, for each Share held, on all matters to come before the Meeting. The authorized capital of Morneau Shepell consists of an unlimited number of Shares and 10 million Preferred Shares issuable in series. No Preferred Shares have been issued by the Company. The following is a summary of the rights, privileges, restrictions and conditions attaching to the Common Shares of Morneau Shepell.

Common Shares

Holders of Shares will be entitled to one vote per Share at meetings of Shareholders, to receive dividends if, as and when declared by the Board and to receive pro rata the remaining property and assets of Morneau Shepell upon its dissolution or winding-up, subject to the rights of shares having priority over the Shares.

Election of Directors

In accordance with the articles of incorporation of the Company, the size of the Board shall be between one and 20. The Board has established that its size following the Meeting shall be eight. The Board has adopted a majority voting policy in director elections that will apply at any meeting of the Company's Shareholders where an uncontested election of directors is held. Pursuant to this policy, if the number of proxy votes withheld for a particular director nominee is greater than the votes for such director, the director nominee will be required to submit his or her resignation to the Chair of the Board promptly following the meeting. Following receipt of resignation, the Governance and Nominating Committee of the Company (the "Governance Committee") will consider whether or not to accept the offer of resignation. With the exception of special circumstances, the Governance Committee will be expected to recommend that the Board accept the resignation. The resignation will be effective when accepted by the Board. Within 90 days following the meeting, the Board will make its decision and promptly disclose it by a press release, such press release to include the reasons for rejecting the resignation, if applicable. A Director who tenders his or her resignation pursuant to this majority voting policy will not be permitted to participate in any meeting of the Board or the Governance Committee at which the resignation is considered.

The eight nominees proposed for election as Directors by the Shareholders are detailed below. All nominees have established their eligibility and willingness to serve as Directors. Directors elected will hold office until the next annual meeting of Shareholders, or until their successors are appointed. Details in this section regarding Board and Committee membership and attendance are reported as of December 31, 2016.

Luc Bachand, Quebec, Canada Director



Luc Bachand is a corporate director and currently sits on the boards of Cominar Real Estate Investment Trust, the École des Hautes Études Commerciales, the Fondation Jeunes en Tête, the Institute of Corporate Directors of Canada and the J. Armand Bombardier Foundation. Mr. Bachand was Vice-Chairman and the Head of BMO Capital Markets in Québec from 2006 until his retirement in 2016. Mr. Bachand joined BMO Financial Group in 1983 where he held several positions within the Capital Markets Group. He holds a Bachelor's degree in Business Administration from the École des Hautes Études Commerciales (HEC) and a Master's degree in Business Administration (MBA) from Concordia University. He is a Fellow of the Institute of Canadian Bankers.

Board and Committee Membership	Attendance	Age	Trustee/Director Since	2016 Compensation	Voting Shares Owned, Controlled or Directed	Post-Retirement DSUs held as of December 31, 2016	Share Ownership Requirement met
Board	N/A	60	N/A	N/A	2,000	N/A	N/A

Other Directorship of Publicly-owned entities:

Cominar Real Estate Investment Trust - Director

Gillian (Jill) Denham, Ontario, Canada
Chair, Director



Gillian (Jill) Denham is a corporate director and currently serves on the board of directors of CP, Kinaxis Inc. and National Bank. She is also the chair of Munich Reinsurance Company of Canada and Temple Insurance Company (both private companies). Ms Denham is a board member and chair of the Investment Committee of CAMH (Centre for Addiction and Mental Health) and a member of the Board of Governors and chair of the Finance & Audit Sub-Committee of Upper Canada College. Ms Denham spent her career at Wood Gundy and CIBC. She has held senior positions in investment banking, was President of Merchant Banking / Private Equity and had regional responsibility for CIBC in Europe. She was also head of the Retail Bank for CIBC. She holds an Honours Business Administration (HBA) degree from the Ivey Business School, Western University, and an MBA from Harvard Business School.

Board and Committee Membership	Attendance	Age	Trustee/Director Since	2016 Compensation	Voting Shares Owned, Controlled or Directed	Post-Retirement DSUs held as of December 31, 2016	Share Ownership Requirement met*
Chair, Board	10 of 10						
Chair, Governance Committee	4 of 4	56	October 22, 2008	\$189,416	12,630	16,594	Has until October 2018 to fulfill ownership requirement

Other Directorship of Publicly-owned entities:

CP - Director and Member, Audit Committee, Finance Committee

National Bank of Canada - Director and Member, HR Committee

Kinaxis Inc. - Director and Member, Nominating and Governance Committee, Audit Committee

* Ms Denham was appointed as Chair of the Board in October 2015 and has new ownership requirements

Ron Lalonde, Ontario, Canada
Director



Ron Lalonde is a corporate director. Prior to his retirement in 2010, Mr. Lalonde was Senior Executive Vice President, Technology & Operations at CIBC. Prior to this, Mr. Lalonde was the Chief Administrative Officer of CIBC, with responsibility for finance, legal, compliance, human resources, marketing and other support functions. Mr. Lalonde also held senior executive positions in London, England and New York. Mr. Lalonde currently serves as a director of several companies, including Street Capital Group Inc. and DH Corporation. Mr. Lalonde serves as a Commissioner on the Board of the Toronto Transit Commission and is a director of The Canadian Stage Company. Mr. Lalonde holds a BA from Western University and an MBA from the Ivey Business School.

Board and Committee Membership	Attendance	Age	Trustee/Director Since	2016 Compensation	Voting Shares Owned, Controlled or Directed	Post-Retirement DSUs held as of December 31, 2016	Share Ownership Requirement met
Board	9 of 9						
Audit Committee	4 of 4	61	March 2, 2016	\$51,121	3,900	1,344	Has until March 2019 to fulfill ownership requirement
Governance Committee	4 of 4						

Other Directorship of Publicly-owned entities:

Street Capital Group Inc. - Director and Chair, Enterprise Risk Management Committee

DH Corporation - Director and Member, Audit Committee and Human Resources and Compensation Committee

Stephen Liptrap, Ontario, Canada*
Chief Operating Officer



Stephen Liptrap is Chief Operating Officer of Morneau Shepell. Mr. Liptrap is responsible for leading Morneau Shepell's business operations and functions, a role he assumed in 2016 and to which he brings more than 25 years of senior executive experience in the high tech, consumer packaged goods and retail sectors. Previously, since 2010, Mr. Liptrap led Morneau Shepell's largest business unit, Employee Support Solutions. Mr. Liptrap first joined Morneau Shepell and its senior executive team in 2008. Mr. Liptrap also served on the HR Committee for the 2015 PanAm Games, the Canadian Board of Directors for NCR and the Pension Board for Europe for a large technology company. He is a frequent speaker and thought leader on HR issues facing organizations today. Mr. Liptrap is a member of the Human Resources Professionals Association. He holds an Honours Business Administration degree from the Ivey Business School, Western University, and is a recent graduate of the Harvard Advanced Management Program.

Board and Committee Membership	Attendance	Age	Trustee/Director Since	2016 Compensation	Voting Shares Owned, Controlled or Directed	LTIP Units held as of December 31, 2016**	Share Ownership Requirement met
Board	N/A	51	N/A	N/A	0	124,056	Yes

* Mr. Alan Torrie announced his intention to retire on March 2, 2017 and in line with Morneau Shepell's succession planning process, on March 2, 2017, the Board, on recommendation of the HR Committee, announced its intention that Mr. Stephen Liptrap would serve as President and CEO beginning May 4, 2017. In that regard, Mr. Liptrap was also recommended by the Governance Committee and has been nominated by the Board for election as a director by Shareholders at the Meeting.

**Combination of 2011 RSUs and Retirement DSUs

Jack M. Mintz, Alberta, Canada
Director



Jack Mintz is the President's Fellow of the School of Public Policy at the University of Calgary after serving as its founding director until July 1, 2015. Dr. Mintz also serves as the National Policy Advisor for EY since July 2015. He presently serves on several boards including Imperial Oil Limited, Global Risk Institute and is Chair of the Social Sciences and Humanities Research Council of Canada. Dr. Mintz also served as a director and was past audit chair for Brookfield Asset Management and CHC Helicopter. He has been appointed to lead or participate in several government panels over the years including the Federal Minister of Health "Health and Innovation panel" 2014-2015 and is research director for the Federal-Provincial Territorial Ministers' Working Group on Retirement Income Research in 2009. He was a Visiting Professor, New York University Law School, 2007 and Columbia Law School 2015; President and CEO of the C. D. Howe Institute from 1999-2006; Clifford Clark Visiting Economist at the Department of Finance, Ottawa and Chair of the federal government's Technical Committee on Business Taxation in 1996 and 1997; and Associate Dean (Academic) of the Faculty of Management, University of Toronto, 1993-1995. In 2015, he was appointed as member of the Order of Canada.

Board and Committee Membership	Attendance	Age	Trustee/ Director Since	2016 Compensation	Voting Shares Owned, Controlled or Directed	Post-Retirement DSUs held as of December 31, 2016	Share Ownership Requirement met
Board	9 of 10						
Chair, Audit Committee	4 of 4	65	October 22, 2008	\$83,500	9,000	29,011	Yes
Governance Committee	4 of 4						

Other Directorship of Publicly-owned entities:

Imperial Oil Limited - Director and Chair, EHS Committee
 - Director and Member of Imperial Oil Foundation
 - Member, Executive Resources Committee, Audit Committee, Nominations and Corporate Governance Committee

W.F. (Frank) Morneau, Sr.,
Ontario, Canada
Honorary Chairman



W.F. (Frank) Morneau, Sr. is the Honorary Chair and founder of Morneau Shepell. He has served on a number of corporate and charitable boards. Mr. Morneau is the past Chair of University of St. Michael's College, past Chair of the Providence Healthcare Foundation, past Treasurer and Board Member of the Sunnybrook and Women's Foundation, past Chair and director of the Patrons of the Arts of the Vatican Museums, past Chair of WFI Industries Ltd., and Honourable Chair of the Newman Foundation at the University of Toronto. Mr. Morneau was named as the Catholic Business Person of the Year in 2006. He was presented with the Award of Merit by The St. George's Society of Toronto in April 2005; was appointed, in 1999, as Knight Commander of the Order of St. Gregory the Great by His Holiness Pope John Paul II, and elevated to "With Star" in 2012 by Pope Benedict, the highest honour accorded to a Catholic layperson; and received an Honorary Doctorate from the University of St. Michael's College in 1996.

Board and Committee Membership	Attendance	Age	Trustee/Director Since	2016 Compensation	Voting Shares Owned, Controlled or Directed	Post-Retirement DSUs held as of December 31, 2016	Share Ownership Requirement met
Honorary Chair, Board	10 of 10	77	August 22, 2005	\$80,000	197,305	12,912	Yes

Kevin Pennington, Georgia,
United States
Director



Kevin Pennington is the Chief Human Resources Officer of Fiserv, Inc., a leading global technology provider for the financial services industry. Throughout his more than 30-year career, Mr. Pennington has held increasingly senior human resources roles in both the United States and Canada. He served as Executive Vice President, Human Resources and Administration with Agere Systems Inc., an integrated circuit components company, from 2001 to 2005, followed by six years as Executive Vice President, Chief Human Resources Officer with Toronto-based Rogers Communications Inc. Mr. Pennington holds a BSc degree in Behavioural Science/Management and an MSc degree in Counseling, both from Shippensburg University of Pennsylvania.

Board and Committee Membership	Attendance	Age	Trustee/Director Since	2016 Compensation	Voting Shares Owned, Controlled or Directed	Post-Retirement DSUs held as of December 31, 2016	Share Ownership Requirement met
Board	10 of 10	60	March 3, 2015	\$119,691*	12,000	10,052	Yes
Chair, HR Committee	5 of 5						

* The exchange rate (\$CDN:\$US) is the average closing rate determined by the Bank of Canada for the five Business Days preceding the grant date

Dale Ponder, Ontario, Canada
Director



Ms Ponder is the National Managing Partner and chief executive of Osler, Hoskin & Harcourt LLP and also serves on the firm's Executive Committee. As a senior member of the firm's Mergers and Acquisitions practice, she has had extensive experience throughout her career leading transactions relating to public and private merger and acquisition matters and advising boards of public companies. Ms Ponder's practice background has focused on M&A, securities regulation and corporate governance. In the course of her practice, she has been recognized as a leading corporate and M&A lawyer by various peer ranking publications, including Chambers Global: The World's Leading Lawyers for Business, the Lexpert/American Lawyer Guide to the Leading 500 Lawyers in Canada, Lexpert's Leading Corporate Lawyers and Best Lawyers in Canada. Ms. Ponder serves on the board of the Canadian Real Estate Investment Trust. Ms Ponder is also a member of the Advisory Board of Canada's Top 40 Under 40, the Governors' Council of St. Michael's Hospital Foundation and the CGCA Advisory Board, and is a mentor in the Women's Executive Network.

Board and Committee Membership	Attendance	Age	Trustee/Director Since	2016 Compensation	Voting Shares Owned, Controlled or Directed	Post-Retirement DSUs held as of December 31, 2016	Share Ownership Requirement met
Board	8 of 9						
HR Committee	4 of 5	60	February 9, 2016	\$52,643	0	1,394	Has until February 2019 to fulfill ownership requirement
Governance Committee	4 of 4						

Other Directorship of Publicly-owned entities:

Canadian Real Estate Investment Trust - Director and Member, Investment Committee, Compensation and Governance Committee

Past Voting Results

The following demonstrates the voter turnout based on the election of Directors in the past three years:

Voter turnout (based on election of Directors)	2016: 46.36% 2015: 49.53% 2014: 54.58%
Shareholders that cast negative votes (based on top 10 holders)	None

The voting results for the Directors and appointment of auditor for the 2016 annual meeting are shown below.

Name	% For	GL	ISS
Gillian (Jill) Denham	94.63%	For	For
Ron Lalonde	99.73%	For	For
Jack Mintz	99.71%	For	For
W. F. (Frank) Morneau, Sr.	99.77%	For	For
Kevin Pennington	99.77%	For	For
Dale Ponder	99.77%	For	For
Appointment of Auditors	99.73%	For	For

Involvement of Directors in Certain Proceedings

Gillian (Jill) Denham

From June 2012 to June 2016, Ms Denham was a member of the board of directors of Penn West Petroleum Ltd., a company that was subject to cease trade orders further to the July 2014 announcement by Penn West Petroleum Ltd. of the review of some of its accounting practices and the decision to restate its financial statements. These orders are no longer in effect.

Statement of Executive Compensation

The Role of the Human Resources Committee

The Board of Directors has overall responsibility for executive compensation at Morneau Shepell and in 2016 delegated certain responsibilities to the independent HR Committee. The HR Committee is responsible for oversight and governance of the compensation programs and practices at Morneau Shepell, including recommending to the Board the appropriate compensation for the President and CEO and for determining the appropriate compensation of all other members of executive management. The HR Committee received the support and expertise of the CEO, the Executive Vice President and Chief Human Resources Officer, as well as from external advisers when the HR Committee, in its discretion, determined appropriate. In addition, the HR Committee employed sound judgment and considered a variety of additional important factors, including the business strategy of the Company, competitive market forces, internal business needs and established governance practice.

Meetings

The HR Committee met five times during 2016 in order to review and carry out its objectives relative to its mandate. Members of management, including the Executive Vice President and Chief Human Resources Officer and the CEO, attended the meetings at the invitation of the Chair of the HR Committee and were excused for portions of the meeting in order for the HR Committee to conduct discussions and deliberations independently.

The Company's Executive Compensation Program Summary

The following table provides an overview of each of the available components of the Company's executive compensation program. A more detailed explanation of each component is provided in the section entitled "*Compensation Discussion & Analysis*".

All details relating to New LTIP Units and Director DSUs included in this Circular assumes the New LTIP/DSU Resolution will be approved by the Shareholders at the Meeting. Any indication of New LTIP Units or Director DSUs being granted under the New LTIP and Director DSU Plan are conditional upon the New LTIP/DSU Resolution being approved.

Compensation Component	Design Objective(s)
Fixed Compensation	
Base Salary	<ul style="list-style-type: none">Provides a compelling offer in order to attract and retain key executive talent required to lead the Company.Salary is a market-competitive, fixed level of annual compensation, which recognizes each executive's contributions to the Company.
Perquisites and Benefits	<ul style="list-style-type: none">Provides perquisites and benefits that are generally competitive within market practices and are provided to attract and retain top talent.

Compensation Component	Design Objective(s)
Variable Compensation	
Annual Incentive Plan	<ul style="list-style-type: none"> Provides an at-risk annual cash bonus for performance against business objectives within the prior fiscal year as established by the Board of Directors. Payout is based on annual enterprise Adjusted EBIT, revenue and individual performance.
Long Term Incentive Plan <i>Restricted Share Units</i> (2011 RSUs under the 2011 LTIP and New RSUs under the New LTIP)	<ul style="list-style-type: none"> RSUs are intended to focus executives on the achievement of the Company's medium-term objectives and promote alignment with Shareholder interests. RSUs have a three-year vesting period after which they are redeemable. Once their Share ownership requirements have been met, executives can elect to take part or all of their LTIP award in the form of RSUs.
Long Term Incentive Plan <i>Performance Share Units</i> (PSUs under the New LTIP)	<ul style="list-style-type: none"> PSUs have the same objectives as RSUs with the added feature of vesting being conditional on performance against a target over a three-year period. Performance is determined annually as well as cumulatively over the three-year period. PSUs have a three-year vesting period after which they are redeemable.
Long Term Incentive Plan <i>Deferred Share Units</i> (Retirement DSUs under the 2011 LTIP and New DSUs under the New LTIP)	<ul style="list-style-type: none"> DSUs are intended to focus executives on the achievement of the Company's longer-term objectives and promote alignment with Shareholder interests. DSUs have a three-year vesting period and are redeemable upon retirement or termination of employment.
Total Compensation	
Fixed + Variable Compensation	<ul style="list-style-type: none"> Designed to provide market median total compensation levels when target performance levels are achieved. Provide the opportunity for above median total compensation when performance is exceptional but also reduced to below-median total compensation when performance targets are not achieved. Reviewed at least annually by the HR Committee to ensure that all programs do not encourage excessive risk taking.
Share Ownership	
Share Ownership guidelines for executives	<ul style="list-style-type: none"> The Share ownership guidelines are designed to link the interests of executives to those of Shareholders by prescribing minimum holding requirements in the Company's Shares. Requirements must be met within five years. The Share ownership of individual NEOs (as defined below) is reviewed annually by the HR Committee.

Compensation Discussion and Analysis

The following Compensation Discussion and Analysis describes and explains the Company's 2016 compensation philosophy, objectives and practices for its CEO, CFO and the three other most highly compensated executive officers (collectively, the "named executive officers" or, "NEOs"). The discussion in this section is concerned mainly with the compensation of the NEOs. The processes and the programs apply to the other executive management members as well.

Composition of the Human Resources Committee

From March 3, 2016 until March 2, 2017 the HR Committee was comprised of Diane MacDiarmid (Chair), Kevin Pennington and Dale Ponder. On March 2, 2017 Diane MacDiarmid stepped down as the Chair of the HR Committee (while maintaining her membership on the Committee) and Kevin Pennington was appointed as Chair. The members of the Committee were independent, and had never been employees or officers of the Company or its subsidiaries. The following is a description of skills, education and experience of each 2016 HR member that qualified them to fulfill these roles and responsibilities:

- From 2004 to 2011, Diane MacDiarmid was Executive Vice President, Corporate Resources with Bentall Kennedy LP, a role that included full oversight of the Human Resources function. Ms MacDiarmid has also held the office of President of a Canadian consulting firm. She has worked with the senior leadership of companies across North America addressing issues of strategy, organization and leadership effectiveness.
- Throughout his more than 30-year career, Kevin Pennington has held increasingly senior human resources roles in both the United States and Canada. He served as Executive Vice President, Human Resources and Administration with Agere Systems Inc., an integrated circuit components company, from 2001 to 2005, followed by six years as Executive Vice President, Chief Human Resources Officer with Rogers Communications Inc. Mr. Pennington is presently Chief Human Resources Officer of Fiserv, Inc., a leading global technology provider for the financial services industry.
- Dale Ponder has been the National Managing Partner and chief executive of Osler, Hoskin & Harcourt LLP for eight years and also serves on the firm's Executive Committee. As National Managing Partner, she is broadly responsible for the firm's professional talent and develops and approves the firm's compensation policies. In consultation with other executives, Ms Ponder approves the annual compensation for the firm's non-legal staff. Ms Ponder has also participated on the firm's Partner Compensation Committee for 10 years and prior to becoming National Managing Partner, she chaired the firm's Legal Professionals Committee and was responsible for all human resource functions relating to the firm's associate lawyers, including performance reviews, compensation, promotion and recruitment.

Executive Compensation Philosophy and Program Design Objectives

Morneau Shepell has developed an executive compensation philosophy that is intended to guide the design of executive compensation programs as follows:

Compensation Philosophy	Design Objective
Attract and retain highly qualified senior executives in a competitive environment	Deliver compensation levels that are between the 50th and 75th percentile of the relevant market
Foster a culture of "pay for performance" by providing rewards directly linked to the success of the Company	Provide opportunity for above-median compensation when performance is above target and below-median compensation when performance is below target
Align executive interests with those of Shareholders with the objective of creating long term, sustained Shareholder value without encouraging excessive risk taking	Ensure that a relevant portion of compensation is equity-based combined with minimum Shareholding requirements to promote sustained performance

2016 Target Pay Mix

In support of the Company's philosophy in connecting "pay with performance", the HR Committee considered the appropriate level and mix of compensation with variable (or "at risk" pay) constituting the majority of CEO and NEO pay. Factors that are also considered, among other things, include individual skills, qualifications, experience, and retention risk. This approach enables Morneau Shepell to compete for talent in a highly competitive environment in which it operates and position itself for successful growth.

Use of Compensation Consultants and the Comparative Market

On an annual basis, the HR Committee, with the input of management, conducts a review of its executive compensation practices, with a view to aligning compensation across the Company, as well as to its strategic objectives. From time to time, the HR Committee benefits from the advice of external consultants with expertise in executive compensation and related matters.

In late 2015, the HR Committee retained the services of PCI Perrault Consulting for competitive benchmarking, which was presented to the HR Committee in early 2016. The data was used for benchmarking purposes throughout 2016. The HR Committee also retained Global Governance Advisors for advice on the Company's long term incentive plans, particularly in respect of the re-design of the Company's LTIP to adopt PSUs.

The table below summarizes the fees incurred in 2016.

	PCI Perrault Consulting		Global Governance Advisors	
	2016	2015	2016	2015
Executive Compensation related fees	\$ 1,997	\$ 19,838	\$ 69,495	\$ 53,902

The Comparator Group for Compensation Benchmarking

The HR Committee believes external market data is an important component of the Company's executive compensation design. In order to calibrate the Company's "pay for performance" programs relative to the market place, the HR Committee considered competitive compensation data from a comparator group.

The HR Committee considered a number of factors when defining a relevant comparator group. As such, an emphasis is placed on referencing companies that are publicly-traded in Canada, have similar revenues (in the approximate range of 0.5x to 2.0x the Company's revenues), historical growth, and market capitalization, and that have the following characteristics:

- Provide business-to-business services (B2B);
- Have a business line specializing in wellness;
- Manage financial assets; and
- Have at least a nationwide presence.

The HR Committee recognizes that Morneau Shepell has a unique service offering and, therefore, there are a limited number of directly comparable service oriented, publicly-traded Canadian companies. A list of organizations comprising the comparator group is found in Schedule "E".

The Comparator Group for PSU Performance

In 2016, the Board approved the adoption of PSUs as part of Morneau Shepell's New LTIP for its executive. Grants made in early 2017 in respect of the 2016 compensation year include PSUs, conditional upon Shareholder approval of the New LTIP.

PSUs are performance-vested based on annual and cumulative results over a three-year period. The performance measure selected for PSUs is Morneau Shepell's Total Shareholder Return (TSR) relative to the return for the S&P/TSX Composite Low Volatility Index. TSR is recognized as the most appropriate financial indicator for measuring shareholder value creation. As such, it reflects strong alignment of the interests of the executives with those of Morneau Shepell's Shareholders. The S&P/TSX Low Volatility Index is comprised of companies reflective of the general Canadian business landscape and with characteristics similar to Morneau Shepell. For this reason, the Board considered the S&P/TSX Low Volatility Index to be a good proxy for Morneau Shepell to measure relative TSR. A list of the companies included in the S&P/TSX Low Volatility Index as at December 31, 2016 is found in Schedule "F".

Compensation Risk Management

Morneau Shepell has structured a comprehensive and disciplined compensation framework, which includes a formal process for risk oversight by the HR Committee. This approach has enabled the Company to encourage its executives to take measured actions to set and achieve significant strategic and growth objectives, without exposing the organization to undue risk.

In line with this approach, the compensation programs are designed to support prudent risk taking by executives and employees. Key proactive elements of this framework are as follows:

- **Periodic review of incentive plans:** Compensation plans are designed to reward desired behaviours and achievement of objectives, with consideration for the Company's business strategy, and risk appetite.
- **Structured plan design:** Compensation plans do not include levers that can be "influenced" by an individual to drive significant payouts.
- **Application of committee discretion:** The HR Committee has discretionary power to impact incentive awards.
- **Clear objectives connect performance to payout:** There are clear objectives outlined for executives and employees, and their performance relative to those objectives is monitored and measured. Objectives are established taking into account the Company's longer-term business strategy and include non-financial, as well as earnings and revenue measures. Executives are directly accountable for risk assessment and risk management in their respective areas of responsibility.
- **Fixed versus variable compensation:** A significant portion of executive compensation is delivered in variable or at-risk compensation.
- **Minimum threshold performance:** To further mitigate the risks inherent in short term incentive plans, corporate, business unit and personal performance thresholds must be achieved in order to receive any cash bonus awards.
- **Incentive plan payouts capped:** In addition to a threshold, all short-term incentive plans have a maximum payout for above-target performance. This payout is capped at 2x target which provides a limit to the maximum amount payable under the plan.
- **LTIP payout is deferred:** DSUs and RSUs vest over three years, although DSUs cannot be redeemed until after retirement or separation from the Company.
- **Share ownership guidelines:** Minimum Share ownership requirements have been established for all NEOs and executives.

- **Trading guidelines:** The Company has trading guidelines in place for all executives that specifically prohibit the purchase of financial instruments that are designed to hedge or offset a decrease in market value of the Company's securities.
- **Claw-back policy:** LTIP Unit claw-back provisions are in place where the Committee determines that an LTIP Participant has engaged in misconduct contributing to financial restatement.
- **External independent compensation advisors:** On an ongoing basis, the HR Committee refers to external advisors to provide an external view of the marketplace changes and may also include best practices in respect of compensation design.

Components of Compensation

Morneau Shepell's executive compensation package for NEOs and other executives consists of the following components: base salary, an annual performance cash bonus program, and a Share-based long term incentive award, in addition to benefits and other perquisites. Each component of the executive compensation package, as described in more detail below, has been reviewed and approved by the HR Committee for the COO, upon recommendation of the CEO and for the other NEOs upon the recommendation of the COO, and by the Board for the CEO upon the recommendation of the HR Committee.

Fixed Compensation

Base Salaries

Base salaries are the fixed component of Morneau Shepell's executive compensation package. They are intended to reflect (i) the individual executive's performance, experience and scope of responsibilities; (ii) Morneau Shepell's performance; (iii) competitive market pay information; (iv) internal equity; and (v) inflationary and economic factors. Base salaries represent the reference for other elements of compensation; therefore, the HR Committee pays particular attention to the positioning of the individual salary against external market data as well as within the Company.

Pension, Benefits and Perquisites

Executives of Morneau Shepell are eligible to participate in the same benefit programs that are offered to all employees in the Company. In addition, executives have some additional benefits and perquisites such as employer-paid health and social club dues. These benefits are similar to those of other senior employees of Morneau Shepell, with the exceptions of car allowances and/or car expense reimbursements received by Messrs. Torrie, Liptrap and Milligan, and the additional health and dental benefits offered to Mr. Torrie in the form of an employer-paid cost-plus benefits plan.

Morneau Shepell does not currently offer a pension plan to its executives as LTIP awards are also intended to provide retirement compensation. Mr. Chamberland is entitled to pension benefits under a closed defined benefit plan of a subsidiary of Morneau Shepell.

Variable Compensation

Annual Incentive Plan Overview

Plan Highlights for 2016:

- *Plan funding is determined by Adjusted EBIT and revenue performance vs. target.*
- *Minimum performance thresholds must be met before bonuses can be paid.*
- *Funding availability and individual performance relative to established objectives determines payouts.*

The Company's Annual Incentive Plan provides executives with variable (at-risk) compensation based on the achievement of performance objectives. Executives are eligible for annual incentive awards under the Annual Incentive Plan based on achieving pre-determined objectives approved annually by the HR Committee.

Individual bonuses for executives are based on two sets of specific goals:

- Financial objectives:** This component is based on the Company's one-year Adjusted EBIT and revenue targets measured on enterprise results.
- Personal objectives:** For all executives, a component of their compensation is also tied to the attainment of individual, specific strategic or business initiatives. For the CEO, the specific personal objectives are related to performance measured against several objectives as determined by the HR Committee. For other executives, personal objectives are agreed with the CEO or COO, as appropriate, and performance is assessed by the CEO or COO and approved by the HR Committee.

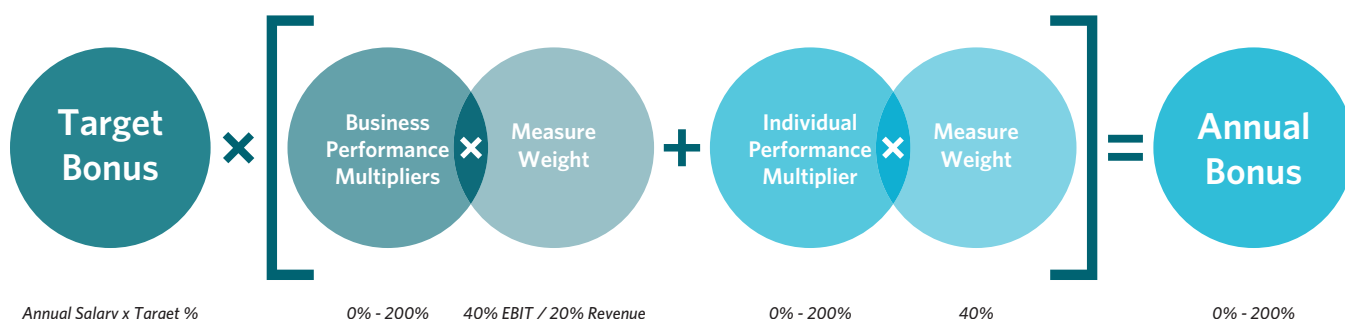
Performance Measures

The performance measures used in the plan and the business rationale for their selection are discussed in the following table:

Performance Measure	Reason for Selection
Adjusted EBIT	- Adjusted EBIT is a primary metric tracked to evaluate profitable growth of the Company's business and the ability to generate returns for Shareholders.
Revenue	- Revenue is a key indicator of success in implementing the Company's growth strategy.
Individual Strategic Measures	- The HR Committee believes that each executive should also be assessed on the successful achievement of objectives that are linked to the Company's business strategy as well as effective leadership behaviours aligned with the values of the Company.

Bonus Determination

Any payout under the Annual Incentive Plan is based on a combination of both corporate and individual performance against targets determined at the beginning of the year, as detailed in the graphic below:



The threshold, target and maximum financial performance levels and corresponding payouts were established by the HR Committee, as shown in the table below:

Measure	Financial Objectives		Personal Objectives	TOTAL
	Adjusted EBIT	Revenue		
Weighting (% of overall target bonus)	40%	20%	40%	100%
Financial Performance Range:				
Minimum (Threshold)	90%	90%		
Target	100%	100%	N/A	N/A
Maximum	120%	120%		
Bonus Payout Range:				
Minimum (Threshold)	30%	30%	0%	0%
Target	100%	100%	100%	100%
Maximum	200%	200%	200%	200%

For any bonus to be paid under this plan, minimum performance (90%) of the Adjusted EBIT measure must be achieved and the plan has a maximum payout of two times target bonus (200%) that corresponds to 120% of financial performance.

In determining performance of financial objectives, actual annual consolidated Adjusted EBIT and revenue results will be measured relative to the target set at the beginning of the year. Adjustments may be made by the HR Committee, at its discretion, to reflect performance, exceptional circumstances and changes in the Company's financial plan or operating environment.

Target Bonus Amounts

In 2016, a target bonus for each of the NEOs was established as follows:

NEO	Target Bonus
Alan Torrie President & CEO	100% of base salary
Stephen Liptrap COO	60% of base salary
Scott Milligan EVP & CFO	50% of base salary
Pierre Chamberland EVP & COO, Administrative Solutions	52% of base salary
Julien Ponce EVP, Consulting and Quebec and East Regions	50% of Base Salary

Bonus Allocation Decision

The following outlines the steps involved in determining any bonus pool, and the allocation decision linked to both Company and individual performance for executives, and all other bonus eligible employees.

Step 1: Determining Target Bonuses

- CEO target bonuses set by Board on recommendation of the HR Committee.
- Other executive target bonuses set by the HR Committee on recommendation of the CEO.
- Targets are based on breadth and impact of executive's role and responsibilities.

Step 2: Determining the available bonus pool

- Bonus pool is based on company-wide revenue and Adjusted EBIT results.
- The final bonus pool is approved by the Board upon the recommendation of the HR Committee.

Step 3: Allocation of the bonus pool to individuals based on both Company and individual performance

- Bonus payment is subject to funding availability. Minimum financial thresholds are required to be met before any bonuses are paid.

Managing risk within the Annual Incentive Plan:

- A single plan for all NEOs and executives across the Company.
- Bonus payouts are capped at 200% of target.
- HR Committee has discretion over plan funding levels and individual bonus awards.

Equity Based Compensation – Long Term Incentive Plan

LTIP Highlights for 2016:

- Introduction of PSUs which are performance-vested based on annual and cumulative results over a three-year period.
- DSUs vest over three years and are utilized to meet Share ownership requirements.
- Dividend reinvestment policy (DRIP).

To further strengthen the link between compensation of the Company's executives and the long term interest of Shareholders, the Company established the LTIP.

Grant of LTIP Units. The purpose of the LTIP is to promote a greater alignment of interests between LTIP Participants and the Shareholders of Morneau Shepell.

Pursuant to the 2011 LTIP, the HR Committee granted LTIP Participants (i) 2011 RSUs and (ii) Retirement DSUs. In addition, at the discretion of the HR Committee, employees were provided with the ability to elect to receive all or a portion of their annual bonus in the form of Retirement DSUs.

As discussed earlier in this Circular, at the Meeting, Shareholders will be asked to consider and if deemed advisable, to approve the 2017 LTIP under which, the HR Committee has the ability to grant (i) New RSUs, (ii) New DSUs, and (iii) PSUs. PSUs shall only be granted to executives and have been introduced to support stronger "pay for performance" alignment. Grants of PSUs and other New LTIP Units in early 2017 relating to the 2016 compensation year have been made, conditional upon Shareholder approval of the New LTIP. In addition, at the discretion of the HR Committee, employees are provided with the ability to elect to receive all or a portion of their annual bonus in the form of New DSUs.

Mix of New LTIP Units. With the introduction of PSUs, New LTIP Units granted to executives are now comprised of 25% PSUs and 75% New RSUs. For Mr. Liptrap, the incoming President and CEO effective May 5, 2017, PSUs will comprise 50% of his New LTIP Units and grants made early in 2017 in respect of 2016 reflect this mix. As the Company transitions to the adoption of a more explicit performance component to its New LTIP, further changes to the mix of New LTIP Units will be considered.

Key Elements of PSUs. The following are the key elements of PSUs, as established by the HR Committee:

Element	Description		
Eligibility:	Executives only		
Performance Measure:	TSR relative to S&P/TSX Composite Low Volatility Index		
Performance Period:	Staged approach over three calendar years, beginning January 1, 2017: <ul style="list-style-type: none"> • 25%/25%/25% for each of three years • 25% for cumulative three-year relative TSR performance 		
Vesting:	Three-year cliff vesting		
Payment:	Minimum (Threshold)	Target	Maximum
Performance range*	- 500 basis points	Match Index	+500 basis points
Payout range*	0%	100%	200%

* With linear interpolation between points

LTIP Allocation Decision. The following outlines the steps involved in determining the available LTIP pool, and the allocation decision linked to individual performance for NEOs, and other executives.

Step 1: Determining the available incentive pool

The CEO recommends to the HR Committee the required pool based on the following criteria:

- *Shifts in executive population, such as new hires or promotions*
- *Market indicators and alignment of executive compensation*
- *Attraction and retention requirements and risks*

Step 2: Obtaining HR Committee and Board Approval

The recommended pool is presented to the Board for review and approval, upon the recommendation of the HR Committee.

Step 3: Allocation of LTIP awards to individuals

Individual awards are determined based on the following criteria:

- *Market competitiveness*
- *Individual performance vs. established targets*
- *Retention incentive*
- *Long term potential contribution*

The HR Committee approves the COO's awards on the recommendation of the CEO and all other executives' awards on the recommendation of the COO, with the exception of the CEO awards, which are decided upon by the Board on the recommendation of the HR Committee.

Share-based awards granted in concurrence with other bonus awards for a prior year's performance will be deemed to be compensation for that performance year. As such, awards granted in early 2017 are reported as 2016 compensation.

Bonus Deferral. As part of the plan, NEOs are eligible to defer all or part of any cash bonus awarded under the Annual Incentive Plan into New DSUs under the New LTIP. New DSUs awarded under this election vest immediately though New DSUs are redeemable only upon retirement or separation from the Company. This allows an additional opportunity for executives to meet their minimum Share ownership requirements.

Vesting and Redemption of LTIP Units. Pursuant to the 2011 LTIP, each 2011 RSU generally vests over three years after the date of grant and is redeemable for either one Share or for an amount in cash equal to the Fair Market Value (as defined below) of one Share (at the election of the Company). The Retirement DSUs vest three years after the date of grant and become redeemable only on the LTIP Participant's termination of employment. Each Retirement DSU is redeemable for either one Share or for an amount in cash equal to the Fair Market Value of one Share (at the election of Morneau Shepell). The Post-Retirement DSUs vest at such times as determined by the HR Committee, with each Post-Retirement DSU being redeemable for one Share.

Pursuant to the New LTIP, each New RSU vests three years after the date of grant and is redeemable, for either one Share or for an amount in cash equal to the Fair Market Value of one Share (at the election of the LTIP Participant (subject to certain restrictions)). The New DSUs vest three years after the date of grant and become redeemable only on the Participant's termination of employment. Each New DSU is redeemable for either one Share or for an amount in cash equal to the Fair Market Value of one Share (at the election of the Company). The PSUs vest when the Board approves the audited financial statements for final fiscal year of the performance period to which such PSUs relate. Following any adjustments based on

performance during the relevant performance period, each PSU is redeemable for either one Share or for an amount in cash equal to the Fair Market Value of one Share (at the election of the Participant (subject to certain restrictions)).

Pursuant to the LTIP, "Fair Market Value" is equal to the volume-weighted average trading price of a Share on the TSX (or, if such Shares are not then listed and posted for trading on the TSX, on such other stock exchange on which such Shares are listed and posted for trading as may be selected for such purpose by the HR Committee) for the five business days on which Shares traded on such exchange preceding the applicable date.

Cessation of Entitlements under the LTIP. Pursuant to the 2011 LTIP, except in certain circumstances (including death of an LTIP Participant, or the retirement of an LTIP Participant (with respect to Post-Retirement DSUs only), all unvested 2011 LTIP Units shall terminate on an LTIP Participant's termination date. Upon termination of an LTIP Participant for cause, all vested 2011 LTIP Units shall terminate and the LTIP Participant will have no right to receive any 2011 LTIP Units or entitlements whatsoever.

Pursuant to the New LTIP, except in certain circumstances (such as the death, disability or retirement of a LTIP Participant), all vested and unvested New LTIP Units shall terminate on a LTIP Participant's termination date and the LTIP Participant will have no right to receive any New LTIP Units or entitlements under the New LTIP whatsoever. Upon termination without cause, death or disability, a pro rata portion of a Participant's unvested New LTIP Units shall vest.

Managing Risk within the LTIP:

- *Awards vest over three years.*
- *PSUs are performance-vested based on annual and cumulative results over a three-year period.*
- *DSU redemption occurs after termination of employment.*
- *Vested and unvested awards may be forfeited if termination is with cause.*

Maximum Number of Shares Issuable.

The maximum number of Shares issuable pursuant to Morneau Shepell's equity-based compensation plans (which are subject to adjustment in certain circumstances as outlined in the plans) shall not exceed 7.9% of the aggregate number of Shares outstanding from time to time and which include the following plans and their applicable reserves:

- 2011 LTIP and New LTIP- 5.9% in the aggregate
- Director DSU Plan - 1.0%
- ESPP (from treasury) - 1.0%

As of March 2, 2017, (a) the maximum number of Shares reserved and available for issuance under the New LTIP the Director DSU Plan and the ESPP together is 4,205,049 Shares; (b) provided that the New LTIP/DSU Resolution is approved, there are 2,874,138 LTIP Units outstanding under the 2011 LTIP (2,755,984 2011 LTIP Units) and New LTIP (118,154 New LTIP Units), inclusive of reinvested dividends awarded on outstanding grants and exclusive of LTIP Units granted to Directors, representing 5.4% of the number of Shares issued and outstanding; (c) provided that the New LTIP/DSU Resolution is approved, there would be 121,223 Director DSUs outstanding issued under the Director DSU Plan, inclusive of reinvested dividends awarded on outstanding grants, representing 0.2% of the number of Shares issued and outstanding; (d) 240,528 Shares have been purchased on the market pursuant to the ESPP using employee and employer contributions and no Shares have been issued from treasury under the ESPP; and (e) 1,209,688 Shares are available for issuance from treasury under the New LTIP, Director DSU Plan and the ESPP together, representing 2.3% of the number of Shares issued and outstanding. The prescribed maximums may be subsequently increased to any specified amount, provided the change is authorized by a vote of the Shareholders. Any increase in the issued and outstanding Shares will result in an increase in the available number of Shares issuable from treasury under the New LTIP, Director DSU Plan and ESPP, and any issuance of Shares pursuant to LTIP Units granted under the 2011 LTIP, New LTIP and Director DSU Plan

will make new grants available under the New LTIP and Director DSU Plan effectively resulting in a re-loading of the number of Shares available to grant under the New LTIP and Director DSU Plan. Pursuant to the current rules of the TSX, the New LTIP, Director DSU Plan and ESPP will require the approval of the Shareholders of Morneau Shepell every three years. LTIP Units shall not be granted pursuant to the New LTIP and Director DSU Plan, if the redemption thereof could result, at any time, in the aggregate number of Shares issuable to insiders of Morneau Shepell, at any time, under the New LTIP and under all other Share compensation arrangements of Morneau Shepell (including the Director DSU Plan and ESPP), exceeding 7.9% of the number of Shares issued and outstanding immediately prior to such redemption. Moreover, in no event shall any LTIP Units be granted pursuant to the New LTIP or Director DSU Plan if the redemption thereof could result in the aggregate number of Shares issued to insiders of Morneau Shepell, within a one-year period under the New LTIP and under all other Share compensation arrangements of Morneau Shepell, exceeding 10% of the number of Shares issued and outstanding immediately prior to such redemption.

Assignability. No right or interest of any LTIP Participant under the LTIP shall be assignable or transferable in whole or in part, either directly or otherwise.

Amendment or Termination of the LTIP. Shareholder approval shall not be required for amendments to the LTIP, which may include but are not limited to:

- amendments of a "housekeeping nature";
- a change to the vesting or redemption provisions of any LTIP Unit; or
- a change to the eligible participants of the LTIP.

Notwithstanding the foregoing, the following amendments shall require Shareholder approval:

- any amendment to remove or exceed the insider participation limits and non-employee director limits as described in the LTIP;
- any increase in the maximum number of Shares issuable under the LTIP;
- any amendment to the LTIP that increases the length of the period after a blackout period during which LTIP Units may be redeemed;
- any change that would permit LTIP Units to be transferable or assignable, other than as contemplated in the LTIP; or
- any amendment to the amendment provisions of the LTIP.

The following table sets out the number of LTIP Units granted and authorized for future grants, pursuant to the LTIP:

Number of Shares to be issued pursuant to the LTIP upon exercise of outstanding rights	Number of Shares remaining available for future issuance under all equity compensation plans*
2,995,361	1,209,688

* This includes remaining Shares available for issuance under the New LTIP, Director DSU Plan and ESPP (treasury).

2016 Objectives & Performance

For 2016, performance objectives were established for the CEO by the Board, on the recommendation of the HR Committee, and for the other NEOs by the HR Committee on the recommendation of the CEO.

The objectives were based on Morneau Shepell's enterprise-wide strategic, financial and operational goals, and were designed to drive short and medium-term performance, as well as longer-term sustainability and Shareholder value.

Financial performance goals were set using overall revenue and Adjusted EBIT targets. Individual objectives were designed for each NEO based upon the enterprise-wide goals of Morneau Shepell, as well as performance or

developmental goals specific to the individual and his areas of responsibility or for which the NEO played a key contributing role.

The HR Committee is responsible for reviewing the CEO's performance relative to his objectives, and recommending the CEO's actual bonus and LTIP award to the Board. The CEO provided an analysis of the COO's performance relative to objectives and made bonus and LTIP award recommendations to the HR Committee for its final review and approval; the COO did the same for the remaining NEOs. In determining the amount of performance bonuses and LTIP awards granted to each NEO, the HR Committee and the Board, as applicable, took into account the achievement of financial targets, each individual's performance objectives, the individual's relative contribution to the achievement of the enterprise-wide objectives, as well as retention risks and a focus on future long term goals. Additional information about specific NEO targets and performance is provided below.

Financial Performance

The Annual Incentive Plan minimum, target and maximum performance objectives for 2016 are presented in the following table, as well as the results for 2016.

Performance	2016 Results					
	Minimum	Target	Maximum	Actual Results	Achievement vs. Target	Growth Over 2015
Revenue*	\$541.7	\$601.9	\$722.3	\$592.1	98.4%	4.4%
Adjusted EBIT*	\$ 84.4	\$ 93.8	\$ 112.6	\$ 91.8	97.9%	5.2%

* figures are stated in millions \$CAD

As the table above shows, the Company achieved solid growth over 2015 but fell slightly short of its 2016 targets, achieving 98.4% of the revenue target and 97.9% of the Adjusted EBIT target. Financial performance is the basis for the funding of any bonus pool under the Annual Incentive Plan. Any actual bonus is then finally determined by an assessment of both financial and individual performance.

Personal Objectives

Individual performance against established personal objectives for each NEO is assessed by the HR Committee. In making their determination, the HR Committee considers both quantitative results as well as qualitative evaluation, including input from the CEO and COO.

Personal objectives for each NEO are established at the start of each year and include measures from the following four areas:

- Growth and Performance
 - Drive financial growth targets
 - Deliver initiatives that meet or exceed targets
- People
 - Foster an engaged and motivated workforce
 - Develop leadership capacity and capability
 - Identify and develop critical talent
- Clients
 - Deliver a differentiated client experience
 - Enhance client satisfaction

- Shareholder Value
 - Drive prudent budget oversight and resource management
 - Deliver short- and long term Shareholder value

The Company operates a range of human resource consulting and outsourcing services in a highly competitive environment in which exist a number of competitor organizations. Central to the Company's ability to compete for market share are its commercial practices, business development and marketing efforts that the Company believes differentiate it from its competitors and as such, require active protection. The personal objectives of executives include specific targets and associated timings of initiatives that would, if disclosed, provide detailed strategic and financial direction of the Company and lines of business that would provide highly sensitive data to competitors. As such, disclosure of the specific, detailed, personal objectives of the Company's executives would seriously prejudice the Company's interests and weaken its ability to compete.

2016 Performance and Compensation for all Named Executive Officers

Alan Torrie, President and CEO

Financial Performance:

- 2016 MS \$592.1 million of revenue (target \$601.9 million) – increase of 4.4% over 2015
- 2016 MS \$91.8 million of Adjusted EBIT (target \$93.8 million) – increase of 5.2% over 2015

In his role as President and CEO, and together with Mr. Liptrap, newly appointed Chief Operating Officer from July 1, 2016, Mr. Torrie oversaw the ongoing execution of Morneau Shepell's long term strategic plan to invest for sustainable growth over time while delivering year-over-year performance.

Objective	Assessment
▪ Achieve annual financial targets while strengthening foundation for longer-term sustainable growth and profitability.	▪ Below target: In keeping with the Company's five-year strategic plan, under Mr. Torrie's leadership, the Company achieved solid growth over 2015, but revenue and Adjusted EBIT performance fell slightly short of target at 98.4% and 97.9% achievement, respectively.
▪ Drive shareholder return in excess of the market.	▪ Met: Mr. Torrie continued to deliver above-market returns to the Company's shareholders, exceeding the S&P/TSX Composite index.
▪ Strengthen leadership and organizational capabilities and enhance employee engagement.	▪ Met: Mr. Torrie supported the smooth transition of Mr. Liptrap into the COO role, positioning him to succeed Mr. Torrie as President and CEO. Under Mr. Torrie's leadership, the Company also continued to make improvements in areas important to employees.
▪ Enhance client satisfaction and drive growth through delivering more integrated client service.	▪ Met: Mr. Torrie successfully led ongoing efforts to increase client satisfaction with improvements realized in client feedback scores and other indicators of the Company meeting more of our clients' needs.

Based on achievement of the above objectives in fiscal 2016 and the corresponding leadership of Mr. Torrie, the Board granted a cash bonus award in the amount of \$500,500. In prior years, Mr. Torrie had received multi-year grants and his grant last year in May 2016 of \$850,000 reflected a move away from such grants to annual grants. Then in July 2016, Mr. Torrie and the Company entered into a new employment agreement. In connection with the new employment agreement, Mr. Torrie was granted additional Share-based awards totaling \$1,600,000. Therefore, Mr. Torrie's total Share-based awards reflected in 2016 are \$2,450,000.

Stephen Liptrap, Chief Operating Officer from July 1st, previously Executive Vice President and General Manager, Employee Support Solutions

Financial Performance:

- 2016 MS \$592.1 million of revenue (target \$601.9 million) – increase of 4.4% over 2015
- 2016 MS \$91.8 million of Adjusted EBIT (target \$93.8 million) – increase of 5.2% over 2015

In his role as Executive Vice President and General Manager, Employee Support Solutions, Mr. Liptrap contributed to the overall corporate performance in respect of the targets discussed above. As Chief Operating Officer, he and Mr. Torrie led the executive team in delivering against these targets.

Specifically, Mr. Liptrap successfully delivered on his personal objectives in 2016 as shown below:

<u>Objective</u>	<u>Assessment</u>
• Ensure financial targets are met within Employee Support Solutions and for Morneau Shepell as a whole in the COO role.	• Met: Mr. Liptrap exceeded financial targets for his line of business. In his role as COO, he worked with Mr. Torrie to deliver 4.4% revenue growth and 5.2% Adjusted EBIT growth, slightly short of the full-year target.
• Execute on people strategy and client value enhancement initiatives.	• Met: Mr. Liptrap led the execution of all people initiatives, including adding leadership capability to support growth, and delivering on key projects to enhance client satisfaction and value.
• Execute on efficiency and profitability initiatives.	• Exceeded: Mr. Liptrap led the execution of efficiency and profitability initiatives, exceeding targets.
• Execute on longer term growth strategy.	• Met: Mr. Liptrap led the enterprise strategic planning process, execution of initiatives in support of that plan, as well as closing two tuck-in acquisitions.

Based on the achievement of corporate results and on Mr. Liptrap's personal contribution, the HR Committee granted Mr. Liptrap a cash bonus award in the amount of \$212,263 and a Share-based award having a value of \$365,000, comprised of New RSUs of \$207,500 (including \$50,000 in lieu of pension) and PSUs of \$157,500. On his promotion to Chief Operating Officer in July 2016, he received an award of Retirement DSUs of \$100,000. In anticipation of Mr. Liptrap's promotion to President and CEO he received a \$185,000 award comprised of \$92,500 in RSUs and \$92,500 in PSUs. Mr. Liptrap's Share-based awards reflected in 2016 are \$650,000.

Scott Milligan, Executive Vice President and Chief Financial Officer

Financial Performance:

- 2016 MS \$592.1 million of revenue (target \$601.9 million) – increase of 4.4% over 2015
- 2016 MS \$91.8 million of Adjusted EBIT (target \$93.8 million) – increase of 5.2% over 2015

In his role as the Chief Financial Officer of Morneau Shepell, in 2016, Mr. Milligan oversaw the achievement of the Company's financial performance in respect of the targets discussed above.

In addition, Mr. Milligan continued to successfully deliver on his personal objectives in 2016 as shown below:

<u>Objective</u>	<u>Assessment</u>
<ul style="list-style-type: none"> Develop strong pipeline of M&A opportunities to supplement organic growth through opportunistic acquisitions. 	<ul style="list-style-type: none"> Met: Mr. Milligan led the successful completion of two acquisitions and the identification of a strong pipeline of additional opportunities.
<ul style="list-style-type: none"> Improve working capital management to meet or exceed targets and balance capital requirements for growth. 	<ul style="list-style-type: none"> Met: Mr. Milligan continued to drive improvements in working capital management and led efforts to improve the allocation of capital expenditures to meet short- and longer-term needs.
<ul style="list-style-type: none"> Improve enterprise systems and process efficiency. 	<ul style="list-style-type: none"> Met: Mr. Milligan led the ongoing realization of process and system efficiencies in Finance.

Based on the achievement of corporate results and on Mr. Milligan's personal contribution, the HR Committee granted Mr. Milligan a cash bonus award in the amount of \$165,130 and a Share-based award of \$237,750, comprised of New RSUs of \$187,563 (including \$37,000 in lieu of pension) and PSUs of \$50,187.

Pierre Chamberland, Executive Vice President and Chief Operating Officer, Administrative Solutions

Financial Performance:

- 2016 MS \$592.1 million of revenue (target \$601.9 million) – increase of 4.4% over 2015
- 2016 MS \$91.8 million of Adjusted EBIT (target \$93.8 million) – increase of 5.2% over 2015

In his role as Executive Vice President and Chief Operating Officer, Administrative Solutions, Mr. Chamberland contributed to the overall corporate performance in respect of the targets discussed above.

In addition, Mr. Chamberland continued to successfully deliver on his personal objectives in 2016 as shown below:

<u>Objective</u>	<u>Assessment</u>
<ul style="list-style-type: none"> Ensure financial targets are met within Administrative Solutions. 	<ul style="list-style-type: none"> Met: Mr. Chamberland substantially met the financial targets for the line of business.
<ul style="list-style-type: none"> Ensure leadership and sales capability in place to support growth. 	<ul style="list-style-type: none"> Met: Mr. Chamberland added capability in key roles and realigned resources to better meet needs, including in respect of the U.S. region which Mr. Chamberland assumed responsibility for during the year.
<ul style="list-style-type: none"> Enhance client satisfaction through ongoing improvements in products and services. 	<ul style="list-style-type: none"> Met: Mr. Chamberland led his team in delivering on ongoing improvements to systems and processes, increasing client satisfaction scores.
<ul style="list-style-type: none"> Execute on efficiency and profitability initiatives. 	<ul style="list-style-type: none"> Met: Mr. Chamberland continued to lead the identification and successful execution of profitability and efficiency projects.

Based on the achievement of corporate results and on Mr. Chamberland's personal contribution, the HR Committee granted Mr. Chamberland a cash bonus award in the amount of \$182,760 and a Share-based award of \$260,000, comprised of New RSUs of \$204,250 (including \$37,000 in lieu of pension) and PSUs of \$55,750.

Julien Ponce, Executive Vice President, Consulting and Quebec and East Regions

Financial Performance:

- 2016 MS \$592.1 million of revenue (target \$601.9 million) – increase of 4.4% over 2015
- 2016 MS \$91.8 million of Adjusted EBIT (target \$93.8 million) – increase of 5.2% over 2015

In his role as Executive Vice President, Consulting and Quebec and East Regions, Mr. Ponce contributed to the overall corporate performance in respect of the targets discussed above.

In addition, Mr. Ponce delivered on his personal objectives in 2016 as shown below:

<u>Objective</u>	<u>Assessment</u>
▪ Ensure financial targets are met within Consulting and the regions.	▪ Below target: Actual achievement against financial targets for the line of business and regions was slightly below target.
▪ Execute on people strategies including ensuring leadership capability in place to support growth.	▪ Met: Mr. Ponce led the execution of all people strategies.
▪ Enhance client satisfaction and drive growth through delivering more integrated client service.	▪ Met: Mr. Ponce led efforts to deliver Consulting services on a national basis and to continue to work collaboratively across all lines of business to best meet client needs.
▪ Execute on efficiency and profitability initiatives.	▪ Met: Mr. Ponce successfully delivered on core elements of the long term business strategy for Consulting.

Based on the achievement of corporate results and on Mr. Ponce's personal contribution, the HR Committee granted Mr. Ponce a cash bonus award in the amount of \$156,415 and a Share-based award of \$252,000, comprised of New RSUs of \$198,000 (including \$36,000 in lieu of pension) and PSUs of \$54,000.

Summary Compensation Table

The following table provides a summary of the compensation earned in 2016, 2015, and 2014 by each of Morneau Shepell's CEO, CFO and three other most highly compensated executive officers.

NEO	Year	Salary (\$)	Share-based Awards (\$) ¹	Non-equity Annual Incentive Plan (\$)	Total Compensation (\$)
Alan Torrie President & CEO	2016	537,500	2,450,000	500,500	3,488,000
	2015	500,000	200,000	490,000	1,190,000
	2014	500,000	200,000	547,500	1,247,500
Stephen Liptrap ² COO	2016	407,750	650,000	212,263	1,270,013
	2015	357,500	246,000	180,360	783,860
	2014	350,000	235,000	201,950	786,950
Scott Milligan EVP & CFO	2016	361,250	237,750	165,130	764,130
	2015	350,000	235,000	164,850	749,850
	2014	350,000	210,000	192,150	752,150
Pierre Chamberland EVP & COO Administrative Solutions	2016	368,375	260,000	182,760	811,135
	2015	360,500	246,000	181,608	788,108
	2014	360,500	226,000	222,216	808,716
Julien Ponce EVP, Consulting & Quebec & East Regions	2016	358,750	252,000	156,415	767,165
	2015	352,500	236,000	171,465	759,965
	2014	345,000	220,000	190,095	755,095

Notes:

1. The value of Share-based awards is the fair value of a Common Share on the grant date. Fair value means the fair market value of a Common Share, which is equal to volume weighted average trading price of a Share on the TSX for the five business days on which Shares traded on such exchange preceding the grant date. Share-based awards are granted in the form of PSUs, DSUs, or RSUs (if the minimum Share ownership requirements have been met). The Board has determined that any Share-based awards granted for an executive's performance in a particular performance year will be deemed to be compensation for that performance year (regardless of the date of grant). As such, Share-based awards granted in 2017 are reported as 2016 compensation as they were based on executive performance in the 2016 fiscal year. Pursuant to the LTIP, notional distributions are made on DSUs and RSUs (in the form of additional DSUs or RSUs as applicable) equivalent to dividends paid on the Common Shares. Since Share-based awards are granted after the end of the relevant performance year, no such notional distributions on those awards are earned in the applicable performance year. Share-based awards for 2014 are restated to exclude notional distributions previously reported as being current year compensation where such notional distributions related to prior year's Share-based awards. The values of 2016 distributions on prior years' Share-based awards, which are not included in this chart, are as follows: Mr. Torrie—\$344,554, Mr. Liptrap—\$85,461, Mr. Milligan—\$78,012, Mr. Chamberland—\$82,178, and Mr. Ponce \$72,597. Share-based awards in lieu of retirement are included in the amounts shown as follows: Messrs. Liptrap \$50,000, Milligan \$37,000, Chamberland \$37,000, and Ponce \$36,000.
2. Mr. Torrie announced his intention to retire on March 2, 2017 and in line with Morneau Shepell's succession planning process, on March 2, 2017, the Board, on recommendation of the HR Committee, announced its intention that Mr. Liptrap would serve as President and CEO beginning May 4, 2017.

Share-based Awards

The following chart details Share-based awards granted to NEOs:

NEO	Number of Share-based awards that vested during the year (#)	Value of Share-based awards that vested during the year (\$) ¹	Number of Shares that have not vested (#)	Market or payout of Share-based awards that have not vested (\$) ¹
Alan Torrie President & CEO	137,681	2,642,104	167,014	3,205,010
Stephen Liptrap COO	15,861	304,375	51,311	984,659
Scott Milligan EVP & CFO	7,450	142,973	36,476	699,979
Pierre Chamberland EVP & COO Administrative Solutions	16,122	309,394	45,792	878,479
Julien Ponce EVP Consulting & Quebec & East Regions	30,367	582,775	29,253	561,382

Notes:

- Values are calculated as at December 31, 2016 using the closing Share price of \$19.19 per Share. Note that 2016 Share-based awards will have a grant date of March 2, 2017, and as such, are not included in this table. The value of payouts has been rounded to the nearest whole number using standard rounding.

Pensions, Benefits and other Perquisites

The following are details of Mr. Chamberland's pension entitlements:

NEO	Year end	Years credited service	Annual benefits payable (\$) at year end ¹	Annual benefits payable (\$) at age 65	Obligation at start of year (\$)	Non-compensatory change (\$)	Accrued Obligation at Year End (\$)
Pierre Chamberland EVP & COO, Administrative Solutions	2016	9.5	N/A	16,400	193,900	7,200	201,100
	2015	9.5	N/A	16,400	179,100	14,800	193,900
	2014	9.5	N/A	16,400	134,200	44,900	179,100

Notes:

- Mr. Chamberland is eligible to retire as he has reached age 55. The annual pension is fixed, meaning there will be no additional pension accrual.

Share Ownership Guidelines

The HR Committee believes that executive management should have a significant equity interest in the Company. In order to promote equity ownership and to further align the interests of management with the interests of Shareholders, senior employees are required to own Shares or share equivalents including DSUs, PSUs and RSUs granted under the LTIP, representing a multiple of their annual salary. The CEO is required to own at least four times his total salary and to maintain that ownership for at least one-year post termination of employment, while certain other senior leaders of the organization are required to own Shares or share equivalents representing at least one to two times their salary. Individuals are given five years to achieve these levels after a promotion or hire date. Ownership levels are measured annually and reported to the HR Committee. All NEOs have met and exceeded their Share ownership requirements.

Employment Agreements, Termination and Change of Control Benefits

Each of the NEOs is party to an employment agreement with Morneau Shepell providing for, among other things, Share ownership requirements, and confidentiality and non-solicitation/non-competition covenants in favour of Morneau Shepell.

On March 2, 2017, Mr. Torrie announced his intention to retire effective May 4, 2017. Under the terms of his agreement, Mr. Torrie is entitled to target salary, bonus and benefits for 20 months. As part of Mr. Torrie's new employment agreement, his non-competition and non-solicitation obligations were extended from one year to two years post-termination and he agreed that all incentive compensation awarded to him would be subject to claw-back provisions if the HR Committee determines that he has engaged in misconduct contributing to a financial restatement.

Mr. Liptrap is entitled to receive a severance payment in the form of salary continuation or an amount equal to 24 months' salary and bonus, plus benefits for the severance period, in the event of termination of employment without cause by Morneau Shepell. Mr. Milligan is entitled to receive a severance payment in the form of salary continuation or an amount equal to 18 months' salary, plus benefits for the severance period, in the event of termination without cause by Morneau Shepell.

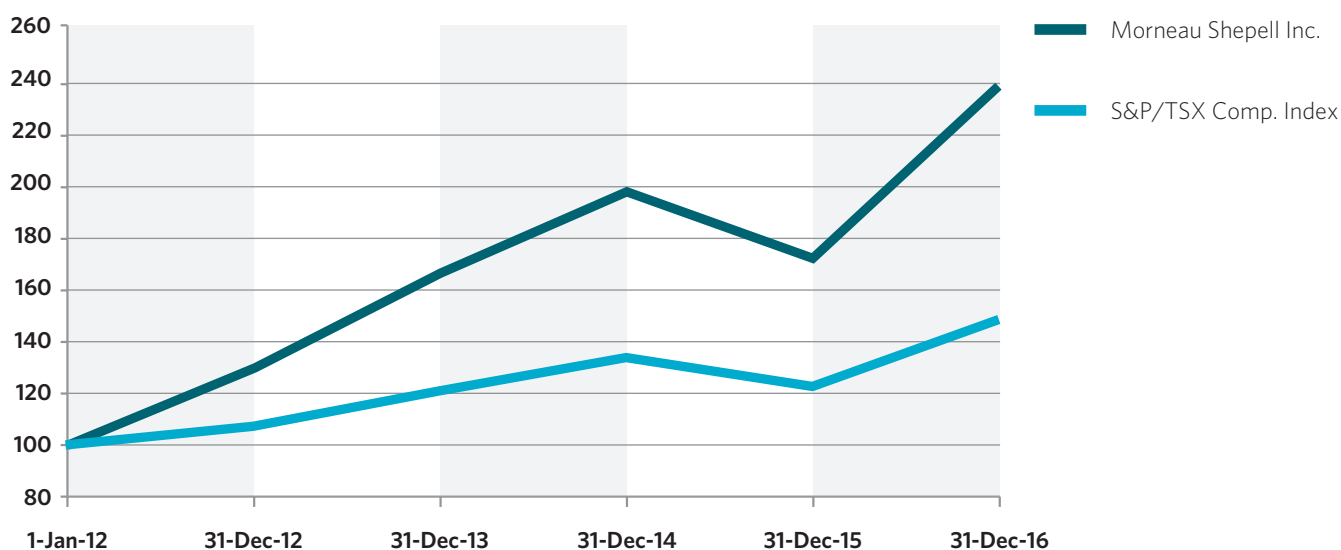
The LTIP awards for all executives are governed by the rules of the plans. Pursuant to the 2011 LTIP, upon a change of control, the HR Committee has the authority to either (i) accelerate the vesting date for any unvested awards, conditional upon the completion of the change of control; or (ii) to the extent that the change of control would also result in a capital reorganization, arrangement, amalgamation or reclassification of the capital of the Company and 2011 LTIP Units may remain outstanding after such transaction is completed, the HR Committee shall make adequate provisions to ensure that, upon completion of the proposed change of control, the number of LTIP Units outstanding under the Plan and/or determination of Fair Market Value of a Share shall be appropriately adjusted in such manner as the HR Committee considers equitable, in its discretion, to prevent substantial dilution or enlargement of the rights granted to the holders of 2011 LTIP Units.

Pursuant to the New LTIP, upon a change of control, if the resulting entity remains publicly traded and agrees to assume all obligations of the New LTIP in all material respects, the New LTIP shall continue in force as determined by the HR Committee. If the resulting entity is to be a private entity (with no equity securities listed for trading on the exchange), (1) all New RSUs and New DSUs shall immediately vest upon the closing of the change of control transaction, conditional upon the completion of the change of control and (2) the HR Committee shall have the discretion to determine what portion, if any, of any unvested PSUs shall immediately vest upon the closing of the change of control transaction, conditional upon the completion of the change of control, including the performance adjustment factors to be applied for each LTIP Participant holding PSUs, based on the achievement of each performance measure (as determined by the HR Committee) up to the date of such change of control.

Performance Graph

The following graph compares the total cumulative return to Shareholders for \$100 invested in Shares, assuming re-investment of distributions, with the total cumulative return of the S&P/TSX Composite Index for the period from January 1, 2012 to December 31, 2016. On December 31, 2016, the Shares closed at \$19.19.

For the Period from January 1, 2012 to December 31, 2016
Cumulative Total Returns Value of \$100 Invested on January 1, 2012



	1-Jan-12	31-Dec-12	31-Dec-13	31-Dec-14	31-Dec-15	31-Dec-16
Morneau Shepell Inc.	100	129.87	166.90	198.44	172.57	239.06
S&P/TSX Comp. Index	100	107.19	121.11	133.90	122.76	148.64

Compensation of Directors

2016 Board Compensation

For 2016, Directors who were not employees were entitled to an annual retainer of \$50,000 per year and \$1,500 for each Board or committee meeting attended. The Chair of the Board received a retainer of \$200,000 (inclusive of all applicable meeting and committee fees), the HR Committee Chair was entitled to an additional retainer of \$10,000, and the Audit Committee Chair was entitled to an additional retainer of \$15,000 per year. Other Board committee members received an additional \$5,000 retainer.

One half of all Directors' compensation is paid in the form of Post-Retirement DSUs (Director DSUs under the new Director DSU Plan) and Directors may elect to receive all of their compensation in the form of Post-Retirement DSUs (Director DSUs under the new Director DSU Plan). From time to time the Board may be required to meet for significant and time sensitive matters. In these circumstances the Board may apply special per-meeting fees. In 2016, no special meeting fees were paid. The Company also provides reimbursement for out-of-pocket expenses for attending meetings and a \$1,500 travel fee for Directors who are resident outside of the province in which the board meeting is held.

Conditional on the approval of the New LTIP/DSU Resolution, each of the Directors who hold Post-Retirement DSUs under the 2011 LTIP has agreed to have such Post-Retirement DSUs governed by the new Director DSU Plan going

forward, and as such, Post-Retirement DSUs will no longer be outstanding under the 2011 LTIP and will be reclassified as Director DSUs. The terms of the Director DSU Plan are substantially similar to the terms of the 2011 LTIP in its treatment of LTIP Units granted to the Board as more particularly described in paragraph 4(b) in the section above entitled “Business of the Meeting”.

The following table provides a summary of the compensation earned in 2016 by the Directors of the Company excluding Directors who were employees of the Company:

Director	Fees Earned		Total Compensation (\$)
	Cash (\$)	Shares* (\$)	
Gillian (Jill) Denham	94,708	94,708	189,416
Robert Chisholm**	Nil	47,917	47,917
Ron Lalonde	25,560	25,560	51,121
Diane MacDiarmid	42,648	42,648	85,297
Jack Mintz	Nil	83,500	83,500
W.F. (Frank) Morneau, Sr.	40,000	40,000	80,000
Kevin Pennington	Nil	119,691	119,691
Dale Ponder	26,321	26,321	52,643
John Rogers	47,500	47,500	95,000

Notes:

- * Share-based awards are in the form of Post-Retirement DSUs pursuant to the 2011 LTIP. Amounts are calculated using the grant date award value. Pursuant to the 2011 LTIP, notional distributions are made on Post-Retirement DSUs (in the form of additional Post-Retirement DSUs) equivalent to dividends paid on the Common Shares. Since notional distributions are provided after the end of the relevant performance year, no such notional distributions on those awards are earned in the applicable performance year and are therefore excluded from the above table. One half to 100% of a Director's compensation is paid in the form of Post-Retirement DSUs, which vest immediately.
- ** Robert Chisholm resigned from the Board in March 2016.

2017 Board Compensation

Following an independent benchmarking review by Kingsdale Advisors of the compensation arrangements for non-employee Directors, the Board, upon the advice of the Governance Committee, approved the adoption of an all-inclusive annual Board retainer of \$110,000 effective April 1, 2017. This retainer now applies regardless of the number of meetings attended by Directors. The adoption of an all-inclusive Board retainer was found to be consistent with the compensation trends of our comparator groups, it also adds predictability of compensation paid to non-employee Directors, and is simpler to administer. The Board Chair retainer has been increased to \$235,000 and the HR Committee Chair and the Governance Committee Chair retainers have, like the audit committee retainer, been set at \$15,000. There will be no additional fees for sitting on committees. These changes reflect growing complexity and workload and were made to align to market benchmarks.

Share Ownership Requirements

The Board believes that Directors should have an equity interest in the Company in order to align their interests with the interests of Shareholders. Directors are required to own Shares or share equivalents representing at least three times their annual retainer within three years of their appointment, or within three years of an increase to the annual retainer, whichever is later.

Directors' Liability Insurance and Indemnification

The Directors and officers of the Company and its subsidiaries are covered under directors' and officers' liability insurance for a total amount of \$50 million. Under the policy, each entity has reimbursement coverage to the extent that it has indemnified the directors and officers. The policy includes securities claims coverage, insuring against any legal

obligation to pay on account of any securities claims brought against the Company and any of its subsidiaries and their respective directors and officers. The total limit of liability is shared among the Company and its subsidiaries and their respective directors and officers so that the limit of liability is not exclusive to any one of the entities or their respective directors and officers. The by-laws of the Company and its subsidiaries provide for the indemnification of their directors and officers from and against liability and costs in respect of any action or suit brought against them in connection with the execution of their duties of office, subject to certain limitations. Further, indemnification agreements supporting the foregoing obligations have been provided to each Director from the Company.

Interest of Informed Persons in Material Transactions

To the knowledge of the Directors, other than as disclosed in this Management Information Circular, no informed person, Director or proposed nominee for election as a Director, or any associate or affiliate of any such persons, had a material interest, direct or indirect, in any transaction since the commencement of the Company's most recent fiscal year or in any proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries.

Statement of Corporate Governance Practices

The following is a discussion of the Company's corporate governance practices with reference to the National Policy 58-201 – *Corporate Governance Guidelines* and National Instrument 58-101 – *Disclosure of Corporate Governance Practices*, which have been adopted by the Canadian Securities Administrators. The Company's approach to governance considers both the Company and its underlying entities.

Board and Committee Membership and Meetings

The Board is currently composed of nine Directors. Diane MacDiarmid and John Rogers will be retiring as Directors in 2017 and Alan Torrie is retiring as President and CEO. Accordingly they are not submitting their names for re-election in 2017, and as such, if all Directors currently listed on the form of proxy are elected at the Meeting, the Board will be comprised of eight Directors. Of the eight Directors, the majority are "independent" within the meaning of National Instrument 58-101, being free from any direct or indirect material relationship with the Company, and its subsidiaries. Assuming a Board of eight Directors, there will be six independent Directors of the Company (Gillian (Jill) Denham, Ron Lalonde, Jack Mintz, Kevin Pennington, Dale Ponder and Luc Bachand) and two who are not; one by reason of being a member of management (Stephen Liptrap) and one by having a family relationship with a former member of management (W.F. (Frank) Morneau, Sr.).

Gillian (Jill) Denham is Chair of the Board. The independent Directors meet *in camera* at least quarterly without management and non-independent Directors. Time is allocated during each regular meeting of the Board for an *in camera* meeting of the independent Directors.

The Board has a written mandate, the full text of which is attached as Schedule "G" (the "Mandate of the Board of Directors"). The Board currently has three standing committees: the Governance Committee, the HR Committee and the Audit Committee. The Audit Committee and the HR Committee are each comprised of three independent Directors, the Governance Committee is comprised of four independent Directors, and each committee has specific responsibilities and mandates to assist in the governance activities of the Board. Each committee charter can be found on the Morneau Shepell website at morneaushepell.com.

The Board's objective with respect to its composition is to have a sufficient range of skills, expertise and experience to enable it to carry out its functions effectively. To that end, the Board has developed a competencies matrix to identify and assess the desired qualifications of its Board members and candidates.

The Board has determined that an eight member Board is an appropriate size to facilitate effective dialogue and decision-making. The Chair of the Board is not entitled to a second or casting vote in the event of equality of votes in respect of matters to be decided on by the Board.

Skills and Experience

The Board seeks to ensure that its Directors possess certain specific skills and experience to assist the Board in performing functions in overseeing the conduct and operations the Company. The Board, with the support of the Governance Committee, has established the primary areas of experience necessary for the Board to effectively carry out its mandate and these are described in the table below.

Key Skills and Experience	Luc Bachand	Gillian (Jill) Denham	Ron Lalonde	Stephen Liptrap	Jack Mintz	W. F. Morneau	Kevin Pennington	Dale Ponder
Human Resources and Compensation Expertise	✓	✓	✓	✓		✓	✓	✓
Financial Experience	✓	✓	✓	✓	✓	✓		
Capital Markets Experience	✓	✓	✓					✓
Public Company CEO / Executive Leadership	✓	✓	✓	✓		✓	✓	✓
Board Experience	✓	✓	✓		✓	✓		✓
U.S. and Foreign Market Knowledge	✓	✓	✓	✓	✓	✓	✓	
Government Relations Knowledge					✓			
Professional Services	✓	✓		✓		✓	✓	✓
Technology			✓	✓		✓	✓	
Legal and / or Risk Identification and Oversight	✓	✓	✓					✓

Orientation and Continuing Education

To ensure Board members have the knowledge of the business and the role of the Board that they need to function effectively, each new Board member receives a comprehensive orientation, including extensive materials and presentations about the Board and the operations of Morneau Shepell's business, as well as meetings with the Chair and CEO, and other key members of management.

Board members regularly receive updates about the business of Morneau Shepell, the industry and ongoing projects. Detailed presentations about various operations and business issues are made by management, from time to time to the Board. Directors are also provided with opportunities to meet with management for both formal and informal discussions. Board members are encouraged to continually develop their skills and attend appropriate Director or other educational programs at the expense of the Company.

Position Descriptions

The roles and responsibilities of the following key positions have been documented in the Mandate of the Board of Directors and the committee charters: Chair of the Board, CEO, Chair of the Audit Committee, Chair of the HR Committee and Chair of the Governance Committee.

The role of the Chair of the Board includes chairing meetings of the Board and Shareholders, ensuring that the Board carries out its responsibilities effectively pursuant to the Mandate of the Board of Directors, providing direction in establishing the schedule and agendas of Board meetings, and liaising with the CEO.

The primary responsibilities of each of the Chair of the Audit Committee, the Chair of the HR Committee and the Chair of the Governance Committee include ensuring the respective Committee carries out its responsibilities effectively pursuant to its committee charter, liaising among their respective committees and the Board and management of the Company, liaising with the external advisors, including auditors in the case of the Audit Committee, and acting as chair of meetings of their respective committees.

The primary responsibilities of the CEO are to manage and supervise the affairs of Morneau Shepell, including the strategic business and economic planning and review processes, provide the Board with its information needs, oversee investor relations and public disclosure requirements of the Company, and management development and succession planning.

Governance Committee

The Governance Committee assists Directors by developing Morneau Shepell's approach to governance.

In the area of Board nominations, the Committee is responsible for, among other things:

- (i) identifying and proposing candidates for vacancies on the Board;
- (ii) ensuring that an orientation program is in place for new Directors in order to familiarize them with Morneau Shepell's business, management, facilities and advisors; and
- (iii) periodically reviewing the effectiveness of the Directors and the contribution of individual Directors.

In order to identify appropriate Board candidates, the Governance Committee has established the desired skill sets, experience and qualifications of the Board in the form of a competencies matrix. It determines the extent to which the current Board composition meets the desired qualities. If the Governance Committee concludes that changes or additions to the Board composition are desirable, it will identify the desired qualities and seek out potential candidates for recommendation to the Board for nomination. The search process may involve the engagement of external consultants, as well as potential candidates known to the Board members, management of the Company or their respective advisers. The Governance Committee is comprised of Gillian (Jill) Denham (Chair), Ron Lalonde, Jack Mintz and Dale Ponder.

HR Committee

The HR Committee assists Directors by developing Morneau Shepell's approach to governance relating to the evaluation of the Company's human resources strategies, policies and procedures including the evaluation of the performance and compensation of the Company's executive management.

In the area of compensation, the HR Committee is responsible for, among other things:

- (i) overseeing the appointment, termination and compensation of senior officers of Morneau Shepell;
- (ii) annually reviewing the CEO's goals and objectives for the upcoming year, providing an appraisal of the CEO's performance and reviewing his compensation;
- (iii) approving awards to senior executives under incentive plans;

- (iv) making recommendations concerning the remuneration of Directors;
- (v) reviewing key human resources policies and programs and practices; and
- (vi) making recommendations regarding the operation of long term incentive plans.

From March 3, 2016 until March 2, 2017 the HR Committee was comprised of Diane MacDiarmid (Chair), Kevin Pennington, and Dale Ponder. On March 2, 2017 Diane MacDiarmid stepped down as the Chair of the HR Committee (while maintaining her membership on the Committee) and Kevin Pennington was appointed as Chair. The HR Committee is currently comprised of Kevin Pennington (Chair), Diane MacDiarmid and Dale Ponder.

Audit Committee

The Audit Committee assists the Directors in fulfilling their responsibilities for oversight of the accounting and financial reporting practices and procedures of the Company, the adequacy of internal accounting controls and procedures, and the quality and integrity of financial statements of the Company. In addition, the Audit Committee is responsible for directing the auditors' examination of specific areas and for the selection of independent auditors of the Company.

All members of the Audit Committee are financially literate within the meaning of applicable securities laws. This committee is also responsible for adopting and periodically reviewing and updating the Company's written disclosure policy. From March 3, 2016 until March 2, 2017 the Audit Committee was comprised of John Rogers (Chair), Ron Lalonde and Jack Mintz. On March 2, 2017 John Rogers stepped down as the Chair of the Audit Committee (while maintaining his membership on the Committee) and Jack Mintz was appointed as Chair. The Audit Committee is currently comprised of Jack Mintz (Chair), Ron Lalonde and John Rogers.

Assessments

The Board is responsible for conducting regular annual assessments to review the overall performance, effectiveness and contribution of the Board, each committee of the Board, each committee Chair, the Chair of the Board, as well as a peer assessment of each individual Director. The objective of the assessments is to ensure the continued effectiveness of the Board in the execution of its responsibilities and to contribute to a process of continuing improvement.

The Governance Committee of the Board conducts this annual review. This year the process was as follows:

- each Director was interviewed by a Governance Committee member;
- each Director discussed the Board's and individual Director's effectiveness;
- results of the interviews were collated;
- the Governance Committee developed a report compiling the interview results, feedback from Directors and recommendations resulting from the assessment process, which were then considered collectively by the Board;
- the Board discussed and implemented certain recommendations on how to improve Board effectiveness; and
- the Chair of the Board interviewed each Director to discuss results of the assessment process and to solicit feedback on the process.

The Chair of the Governance Committee developed a process for addressing issues raised, is currently working with the Board on these issues and will report back to the Board as appropriate.

Code of Business Conduct and Ethics and Whistleblower Policy

The Board has adopted a Code of Business Conduct and Ethics (the “Code”) that establishes the high ethical standards to which all Directors, officers and employees of the Company and its subsidiaries are expected to adhere. The full text of the Code is available to all Directors, officers and employees and is posted at morneaushepell.com.

The Code states that Directors, officers and employees are expected to speak with supervisors, managers or other appropriate personnel about concerns they may have in respect of illegal or unethical behaviour, and when in doubt, about the best course of action in a particular situation. It is the policy of Morneau Shepell not to allow retaliation for reports of such conduct made in good faith. It is, at the same time, unacceptable to file a report knowing it is false.

The Board has also implemented a Whistleblower Policy to provide a confidential complaint procedure so that an employee, with a concern about any accounting or auditing matter or any other matter which an employee believes is in violation of the Code, can report the concern to the General Counsel of Morneau Shepell. The General Counsel in turn is required to report all such concerns and complaints to the Chair of the Audit Committee.

Directors, officers and employees are annually reminded of the Code and other key policies of Morneau Shepell and are required to acknowledge in writing their continuing compliance. Management regularly reports to the Board respecting any violations of the Code or other inappropriate conduct impacting the Company.

The Board’s mandate and the Code each contain provisions relating to addressing actual or potential conflicts of interest. Generally, any Director or officer is required to disclose any actual or potential conflict of interest and, if applicable, refrain from voting in respect of such matter.

Enterprise Diversity Statement

Morneau Shepell embraces and promotes diversity and inclusiveness among its people and business partners, within the workplace and the community. Morneau Shepell recognizes the importance of diversity on the Board and at all levels of the workplace, and is committed to fostering a culture of acceptance and inclusiveness. This includes building a Board and executive management team that are comprised of highly talented and experienced individuals whose diverse backgrounds reflect the Company’s stakeholders, including its clients and employees and the communities and markets in which the Company operates. An effective Board requires that the Directors have the integrity, experience, skill, time and commitment identified by the Board as necessary to effectively carry out their duties. A Board made up of highly qualified directors from diverse backgrounds benefits from the contribution of different perspectives and experiences to Board discussions and decisions, promoting better corporate governance.

The HR Committee has the mandate to review and monitor Company practices for supporting diversity in the workplace. The Governance Committee has the mandate to recommend new candidates for the Board and to conduct an annual review of the composition, size, structure and expertise required by the Board and its committees, taking into consideration all diverse backgrounds. In identifying candidates for election or appointment to the Board, the Governance Committee follows its policies, recognizes the benefits of diversity and carefully considers all aspects of the candidates’ qualifications to ensure the needs of the Board and its committees are fulfilled. The candidates must demonstrate noteworthy accomplishments in their business or professional careers, and significant experience and ability in those areas of business expertise, identified by the Governance Committee, as required to meet the objectives of its Board skills matrix.

The Board does not have a formal policy or targets in place for the specific identification and nomination of women directors, as the processes that are currently in place, which focus on selecting candidates based on merit, have successfully encouraged strong representation of women on the Company’s Board. In keeping with the growth of the

Company's business, Board renewal and diversity objectives have been advanced through the expansion of the Board and the appointment of additional directors. Currently, the Chair of the Board and the Chair of the Governance Committee is a woman. Two of the six Independent Directors named on the proxy are women, making up 33% of the Independent Board members, and in total, two of the eight Directors are women representing 25% of the Board.

The Company's Board believes that it is best able to achieve optimal Board performance and effectiveness by maintaining a robust Board and individual Director evaluation and feedback process, along with regularly reviewing existing Board member competencies against current and anticipated needs. It has not adopted a policy of term limits for Directors as these limits can be arbitrary for Board membership and may impede the effectiveness of the Board and the contributions of individual Directors.

In addition, through the course of Board and management succession planning, the diversity of candidates is taken into account. Where opportunities are identified, steps are taken through a variety of means including mentorship, sponsorship, training, and additional search activity as required. The Governance Committee will continue to add women to the list of candidates for the Board.

The Company does not set a target for women in executive positions as it selects candidates based on merit. That being said, the CEO and the Board actively seek out potential executive leadership candidates who not only have the experience, skills and qualifications required for their roles, but who also contribute to increasing the diversity of this group. Recruitment searches for executive positions must include individuals of diverse backgrounds and specifically women. Currently, three of the nine (33%) executive officers of the Company are women.

Additional Information

The Shares are listed on the TSX under the trading symbol MSI.

Additional financial information is provided in the Company's Financial Statements and the Company's Management's Discussion and Analysis ("MD&A") for the year ended December 31, 2016. Copies of the Company's Financial Statements for its most recent completed year ended December 31, 2016, together with the report of the auditors thereon, MD&A of financial condition and results of operations, the most recent Annual Information Form (together with any documents incorporated by reference therein) and this Management Information Circular, are available upon request to Investor Relations, Morneau Shepell, 895 Don Mills Road, Suite 700, Toronto, Ontario M3C 1W3. The above documents, as well as the Company's news releases, are also on SEDAR at sedar.com and on the Morneau Shepell website at morneaushepell.com.

Approval of Directors

The contents and the mailing to the Shareholders of this Management Information Circular have been approved by the Directors.

Dated: March 2, 2017

By Order of the Directors of Morneau Shepell Inc.



Susan Marsh
Corporate Secretary, Morneau Shepell Inc.

Schedule “A”

New LTIP/DSU Resolution

Be It Resolved That:

1. The new long term incentive plan of Morneau Shepell Inc. (the “Company”) dated March 2, 2017 (the “New LTIP”), substantially as described in the Management Information Circular prepared for the Company’s annual and special meeting of shareholders to be held on May 5, 2017 (the “Circular”) is hereby confirmed, ratified and approved;
2. The new directors’ deferred share unit plan of the Company dated March 2, 2017 (the “Director DSU Plan”), substantially as described in the Circular is hereby confirmed, ratified and approved;
3. The restricted share units, deferred share units and performance share units (collectively, “LTIP Units”) to be issued under the New LTIP are hereby approved;
4. The grants of 118,154 LTIP Units on March 2, 2017 to officers of the Company are hereby confirmed, ratified and approved, effective as of the date such LTIP Units were granted;
5. The deferred share units (the “Director DSUs”) to be issued under the Director DSU Plan are hereby approved;
6. In accordance with the rules of the Toronto Stock Exchange, the Company shall have the ability to grant LTIP Units and Director DSUs in accordance with the terms of the New LTIP and Director DSU Plan, respectively, until May 5, 2020, which is the date that is three years from the date of the shareholder meeting at which shareholder approval of the New LTIP and Director DSU Plan is being sought;
7. The board of directors of the Company (the “Board”) is hereby authorized to make such amendments to the New LTIP and the Director DSU Plan from time to time, as may be required by the applicable regulatory authorities, or as may be considered appropriate by the Board, in its sole discretion, provided always that such amendments be subject to the approval of the regulatory authorities, if applicable, and in certain cases, in accordance with the terms of the New LTIP and the Director DSU Plan, the approval of the shareholders of the Company; and
8. Any one director or officer of the Company is hereby authorized and directed, acting for, in the name of and on behalf of the Company, to execute or cause to be executed, under the seal of the Company or otherwise and to deliver or to cause to be delivered, all such other deeds, documents, instruments and assurances and to do or cause to be done all such other acts as, in the opinion of such director or officer of the Company, may be necessary or desirable to carry out the terms of the foregoing resolutions.

Schedule “B”

2011 LTIP Resolution

Be It Resolved That:

1. All unallocated restricted share units, retirement deferred share units and post-retirement deferred share units (collectively, the “2011 LTIP Units”) granted under the long-term incentive plan of Morneau Shepell Inc. (the “Company”) dated January 1, 2011, as amended and restated on March 2, 2017 (the “2011 LTIP”), as substantially described in the Management Information Circular prepared for the Company’s annual and special meeting of shareholders to be held on May 5, 2017 (the “Circular”) are hereby confirmed, ratified and approved;
2. If shareholders do not approve the Company’s new long term incentive plan and directors’ deferred share unit plan, both dated March 2, 2017, the Company has the ability to continue granting 2011 LTIP Units under the 2011 LTIP until May 5, 2020, which is the date that is three (3) years from the date of the shareholder meeting at which shareholder approval is being sought;
3. The board of directors of the Company (the “Board”) is hereby authorized to make such amendments to the 2011 LTIP from time to time, as may be required by the applicable regulatory authorities, or as may be considered appropriate by the Board, in its sole discretion, provided always that such amendments be subject to the approval of the regulatory authorities, if applicable, and in certain cases, in accordance with the terms of the 2011 LTIP, the approval of the shareholders of the Company; and
4. Any one director or officer of the Company is hereby authorized and directed, acting for, in the name of and on behalf of the Company, to execute or cause to be executed, under the seal of the Company or otherwise and to deliver or to cause to be delivered, all such other deeds, documents, instruments and assurances and to do or cause to be done all such other acts as, in the opinion of such director or officer of the Company, may be necessary or desirable to carry out the terms of the foregoing resolutions.

Schedule “C” ESPP Resolution

Be It Resolved That:

1. The amended and restated employee share purchase plan (the “ESPP”) of Morneau Shepell Inc. (the “Company”) dated March 5, 2014, as amended and restated on March 2, 2017 and the amendments thereto, substantially as described in the Management Information Circular prepared for the Company’s annual and special meeting of shareholders to be held on May 5, 2017 (the “Circular”) is hereby confirmed, ratified and approved;
2. In accordance with the rules of the Toronto Stock Exchange, the Company shall have the ability to issue common shares in accordance with the terms of the ESPP, until May 5, 2020, which is the date that is three (3) years from the date of the shareholder meeting at which shareholder approval of the ESPP is being sought;
3. The board of directors of the Company (the “Board”) is hereby authorized to make such amendments to the ESPP from time to time, as may be required by the applicable regulatory authorities, or as may be considered appropriate by the Board, in its sole discretion, provided always that such amendments be subject to the approval of the regulatory authorities, if applicable, and in certain cases, in accordance with the terms of the ESPP, the approval of the shareholders of the Company; and
4. Any one director or officer of the Company is hereby authorized and directed, acting for, in the name of and on behalf of the Company, to execute or cause to be executed, under the seal of the Company or otherwise and to deliver or to cause to be delivered, all such other deeds, documents, instruments and assurances and to do or cause to be done all such other acts as, in the opinion of such director or officer of the Company, may be necessary or desirable to carry out the terms of the foregoing resolutions.

Schedule “D” Rights Plan Resolution

Be It Resolved That:

1. The shareholder rights plan agreement (the “Rights Plan”) between the Morneau Shepell Inc. (the “Company”) and CST Trust Company dated March 2, 2017, and as described in the Management Information Circular prepared for the Company’s annual and special meeting of shareholders to be held on May 5, 2017 (the “Circular”) is hereby confirmed, ratified and approved and the Company is authorized to issue rights pursuant thereto;
2. The making on or prior to the date hereof of any other amendments to the Rights Plan as the Company may consider necessary or advisable to satisfy the requirements or any stock exchange or professional commentators on shareholder rights plans in order to conform the Rights Plan to versions of shareholder rights plans currently prevalent for reporting issuers in Canada, is hereby approved;
3. The board of directors of the Company (the “Board”) is hereby authorized to make such amendments to the Rights Plan from time to time, as may be required by the applicable regulatory authorities, or as may be considered appropriate by the Board, in its sole discretion, provided always that such amendments be subject to the approval of the regulatory authorities, if applicable, and in certain cases, in accordance with the terms of the Rights Plan, the approval of the shareholders of the Company; and
4. Any one director or officer of the Company is hereby authorized and directed, acting for, in the name of and on behalf of the Company, to execute or cause to be executed, under the seal of the Company or otherwise and to deliver or to cause to be delivered, all such other deeds, documents, instruments and assurances and to do or cause to be done all such other acts as in the opinion of such director or officer of the Company may be necessary or desirable to carry out the terms of the foregoing resolutions.

Schedule "E"

Comparator Group for Compensation Benchmarking

The following table outlines the comparator group that was reviewed and approved by the HR Committee based on the criteria as described earlier and therefore used as reference data. All financial data for the comparator companies was obtained from publicly available sources, and represents data disclosed for the last full year.

Data is shown in millions \$CAD unless otherwise stated.

Company	Revenues ⁽¹⁾		EBITDA ^{(1) (2)}		EBITDA ⁽²⁾ (% Revenues)		Net Income ⁽¹⁾		Net Income (% Revenues)		Market Capitali- zation (Feb 10, 2017)
	3 yr		3 yr		3 yr		3 yr		3 yr		
	Last FY	average	Last FY	average	Last FY	average	Last FY	average	Last FY	average	
DH Corporation	\$ 1,139	\$ 911	\$ 337	\$ 242	30%	26%	\$ 106	\$ 73	9%	8%	\$ 2,540
Canaccord Genuity Group Inc.	\$ 881	\$ 844	\$ 36	\$ 56	4%	7%	\$ (13)	\$ 7	-1%	1%	\$ 609
Chartwell Retirement Residences REIT	\$ 865	\$ 869	\$ 270	\$ 248	31%	29%	\$ (8)	\$ (41)	-1%	-5%	\$ 2,990
Savanna Energy Services Corp	\$ 792	\$ 719	\$(251)	\$ 133	-32%	3%	\$ (249)	\$ (61)	-31%	-7%	\$ 234
BMTC Group Inc.	\$ 701	\$ 704	\$ 64	\$ 65	9%	9%	\$ 49	\$ 50	7%	7%	\$ 478
Richelieu Hardware Ltd.	\$ 647	\$ 600	\$ 77	\$ 73	12%	12%	\$ 52	\$ 48	8%	8%	\$ 1,580
Canadian Western Bank	\$ 619	\$ 566	\$ 327	\$ 298	53%	53%	\$ 230	\$ 206	37%	36%	\$ 2,650
5N Plus Inc.	\$ 591	\$ 542	\$ 46	\$ (35)	8%	-6%	\$ 13	\$ (56)	2%	-10%	\$ 146
Ritchie Bros. Auctioneers Incorporated	\$ 559	\$ 497	\$ 208	\$ 188	37%	38%	\$ 106	\$ 95	19%	19%	\$ 4,600
Equitable Group, Inc.	\$ 523	\$ 505	\$ 145	\$ 126	28%	25%	\$ 107	\$ 94	20%	19%	\$ 1,000
Pason Systems Inc.	\$ 499	\$ 430	\$ 327	\$ 273	66%	63%	\$ 112	\$ 59	22%	13%	\$ 1,680
Newalta Corporation	\$ 495	\$ 544	\$ 72	\$ 104	15%	19%	\$ (143)	\$ (26)	-29%	-6%	\$ 220
AGF Management Limited	\$ 464	\$ 486	\$ 155	\$ 163	33%	33%	\$ 61	\$ 45	13%	9%	\$ 508
Sienna Senior Living Inc.	\$ 457	\$ 376	\$ 43	\$ 40	9%	11%	\$ (16)	\$ (11)	-4%	-3%	\$ 818
Great Canadian Gaming Corporation	\$ 447	\$ 421	\$ 182	\$ 135	41%	32%	\$ 78	\$ 38	18%	9%	\$ 1,440
Capstone Infrastructure Corporation	\$ 442	\$ 397	\$ 177	\$ 174	40%	44%	\$ 9	\$ 26	2%	7%	\$ 463
Major Drilling Group International Inc.	\$ 306	\$ 452	\$ 9	\$ 52	3%	8%	\$ (50)	\$ (18)	-16%	-8%	\$ 676
Average	\$ 611	\$ 579	\$ 128	\$ 134	22%	23%	\$ 26	\$ 31	4%	6%	\$ 1,313
25th Percentile (P25)	\$ 464	\$ 452	\$ 46	\$ 65	9%	9%	\$(13.00)	\$(18.00)	-1%	-5%	\$ 478
Median (P50)	\$ 559	\$ 542	\$ 77	\$ 126	15%	19%	\$ 16.00	\$ 26.00	3%	7%	\$ 818
75th Percentile (P75)	\$ 701	\$ 704	\$ 208	\$ 188	37%	33%	\$ 106.00	\$ 59.00	18%	9%	\$ 1,680
Morneau Shepell	\$ 567	\$ 565	\$ 72	\$ 82	13%	15%	\$ 16	\$ 23	3%	4%	\$ 994
Percentile rank	53%	59%	35%	35%	41%	41%	50%	41%	50%	41%	53%

(1) Financial data extracted from annual reports and financial websites.

(2) EBITDA: Earnings Before Interest, Taxes, Depreciation and Amortization.

Schedule “F”

Comparator Group for PSU Performance Benchmarking

The following table lists the companies in the S&P/TSX Low Volatility Index, which the HR Committee approved for PSU performance benchmarking purposes.

Companies listed in the S&P/TSX Low Volatility Index as at December 31, 2016

Algonquin Power & Utilities Corp.	George Weston Limited
Allied Properties Real Estate Investment Trust	Granite Real Estate Investment Trust
Artis Real Estate Investment Trust	Great-West Lifeco Inc.
Atco Ltd/Canada	H&R Real Estate Investment Trust
Bank of Montreal	Hydro One Limited
Bank of Nova Scotia/The	IGM Financial Inc.
BCE Inc.	Intact Financial Corporation
Brookfield Property Partners L.P.	Laurentian Bank of Canada
CAE Inc.	Loblaw Companies Limited
Canadian Apartment Properties Real Estate Investment Trust	Metro Inc.
Canadian Imperial Bank of Commerce	Milestone Apartments Real Estate Investment Trust
Canadian National Railway Company	National Bank of Canada
Canadian Real Estate Investment Trust	Onex Corporation
Canadian Utilities Limited	Power Corporation of Canada
Chartwell Retirement Residences	Power Financial Corporation
CI Financial Corp.	Pure Industrial Real Estate Trust
Cineplex Inc.	Quebecor Inc.
Cogeco Communications Inc.	RioCan Real Estate Investment Trust
Cominar Real Estate Investment Trust	Rogers Communications Inc.
Crombie Real Estate Investment Trust	Royal Bank of Canada
Dream Global Real Estate Investment Trust	Shaw Communications Inc.
Emera Inc.	Smart Real Estate Investment Trust
Enercare Inc.	TELUS Corporation
First Capital Realty Inc.	Thomson Reuters Corporation
Fortis Inc./Canada	Toronto-Dominion Bank/The

Schedule “G”

Mandate of the Board of Directors

The purpose of this document is to set out the mandate and responsibilities of the board of directors (the **“Board”**) of Morneau Shepell Inc. (the **“Company”**), which was adopted by the Board effective March 3, 2016.

Composition

The Board shall be constituted with a majority of individuals who qualify as “independent directors” as defined in National Instrument 58-101—*Disclosure of Corporate Governance Practices*.

Responsibilities of the Board

The Board is responsible for the stewardship of the Company and in that regard shall be specifically responsible for:

- (a) supervising the business and activities of the Company (which includes its subsidiaries), including acting for, voting on behalf of and representing the Company as a holder of common shares of Morneau Shepell Ltd.;
- (b) adopting a strategic planning process and evaluating and approving a strategic plan for the upcoming year that takes into account, among other things, the opportunities and risks the Company’s business;
- (c) reviewing, on at least an annual basis, a budget for the Company;
- (d) to the extent feasible, satisfying itself as to the integrity of the Chief Executive Officer, the Chief Financial Officer and other executive officers of the Company and its subsidiaries and that such officers create a culture of integrity throughout the organization;
- (e) the identification of the principal risks of the Company’s business and ensuring the implementation of appropriate systems to manage these risks including a crisis management process in the event of a crisis situation;
- (f) adopting processes, procedures and controls that are designed to assist the Company in complying with all applicable laws and legal requirements;
- (g) monitoring the Company internal control and management information systems;
- (h) adopting communication processes which enable the Company to communicate effectively and address how the Company interacts with all of its stakeholders, including analysts and the public, contain measures for the Company to avoid selective disclosure and is reviewed at such intervals or times as the Board deems appropriate;
- (i) establishing and maintaining a standing audit committee of the Board (the **“Audit Committee”**), and such other committees as the board may determine to be in the best interests of the Company (together with the HR Committee and the Governance Committee (as defined below), the **“Committees”**);
- (j) reviewing and reassessing the adequacy of the terms of reference of the Committees at such intervals or times as the Board deems appropriate;
- (k) receiving recommendations of the Audit Committee respecting, and reviewing and approving, the annual, interim and any other publicly announced financial information of the Company;

- (l) adopting the Company approach to governance by establishing and maintaining a standing governance and nominating committee of the Board (the “Governance Committee”) including adopting a set of governance principles and guidelines that are specifically applicable to the Company;
- (m) establishing and maintaining a standing human resources committee of the Board (the “HR Committee”) to fulfill oversight responsibilities in relation to compensation, selection, development of executive management and the human resources programs and practices of the Company;
- (n) receiving recommendations of the HR Committee and the Governance Committee and reviewing and approving (where applicable) such recommendations relating to the respective mandates of the Committees as set out in their Charters;
- (o) implementing a process for assessing the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors;
- (p) implementing a process for examining the size of the Board and undertaking, where appropriate, a program to establish a board size which facilitates effective decision-making;
- (q) implementing a process for reviewing the adequacy and form of compensation of directors and ensuring that compensation realistically reflects the responsibilities and risk involved in being a director;
- (r) succession planning of the Chief Executive Officer;
- (s) succession planning of executive management (including ensuring the Company has a plan addressing the succession of key roles within the Company, appointing, training and monitoring executive management);
- (t) meeting regularly with management of the Company to receive reports respecting the performance of the Company’s business, new and proposed initiatives, management concerns and any areas of concern involving the Company’s business; and
- (u) meeting regularly without management.

It is recognized that every director, in exercising powers and discharging duties, must act honestly and in good faith with a view to the best interest of the Company. Directors must exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. In this regard, they will comply with their duties of honesty, loyalty, care, diligence, skill and prudence.

In addition, directors are expected to carry out their duties in accordance with policies adopted by the Board from time to time, the current policy being annexed hereto as Appendix A.

It is expected that each subsidiary of the Company will cooperate in all ways to facilitate compliance by the Board with its legal duties and this mandate by causing such subsidiary to take such actions as may be necessary in that regard and by promptly reporting any data or information to the Board that may affect such compliance.

Responsibilities of the Chair

The Chair is an “independent” director who is appointed by the Board to assist the Board in fulfilling its duties effectively and efficiently. The key accountabilities of the Chair include the following:

- (i) guide and direct the governance process of the Board, centering the work of the Board on the Company’s mission, vision, values and strategic direction;
- (ii) establish agendas for Board and shareholder meetings, in collaboration with the Chief Executive Officer;
- (iii) preside over Board and shareholder meetings in a manner that encourages participation and information sharing while moving toward timely closure and prudent decision making;
- (iv) monitor the adequacy of the materials provided to the directors by management in connection with the directors’ deliberations;
- (v) ensure appropriate Board record keeping and reporting;
- (vi) ensure that the Board understands the boundaries between Board and management responsibilities;
- (vii) act as a liaison between directors and management;
- (viii) ensure that the independent directors of the Board have adequate opportunities to meet without management present;
- (ix) communicate to the Chief Executive Officer, as appropriate, the results of private discussions among independent directors;
- (x) liaise with Committee Chairs regarding work of Committees and where certain Board functions have been delegated to the Committees, ensure the results are reported to the Board;
- (xi) work with the Chair of the HR Committee to review and assess the compensation planning of the Chief Executive Officer;
- (xii) serve as Board’s central point of official communication with the Chief Executive Officer and develop a positive collaborative relationship with the Chief Executive Officer;
- (xiii) lead the Board effectiveness assessment process including the annual assessment of the performance and effectiveness of the Board, the Committees, Committee Chairs and individual directors;
- (xiv) lead Board development including director recruitment, valuation and orientation and manage Board relations;
- (xv) on an ongoing basis, assess whether the Board and Committees have appropriate access to outside advisors for the purposes of the Board fulfilling its responsibilities under this Mandate;
- (xvi) report to the Board on material matters arising in undertaking his or her functions and responsibilities outlined herein, and if necessary, will make recommendations to the Board for the Board’s approval on these matters; and
- (xvii) perform such other functions as may be ancillary to the duties and responsibilities described above and as may be delegated to the Chair by the Board from time to time.

Responsibilities of the Chief Executive Officer

The Chief Executive Officer reports to the Board and is accountable, within the context and prescribed limits of the Board, for developing and executing the strategic direction, enhancing revenue and profit growth, and increasing balance sheet and shareholder value. This includes supporting the Board in fulfilling its function.

The key accountabilities for the Chief Executive Officer include the following:

- (i) manage and supervise the affairs of the Company;
- (ii) ensure that the Company has an effective management team and has a plan for management development and succession;
- (iii) motivate, lead and mentor the executive management team, including working to attract and retain individuals with the requisite skills and experience;
- (iv) lead the development and execution of the strategy and strategic direction for the growth of the Company;
- (v) develop, implement and maintain a business planning and review system that includes level appropriate vision, mission, values, strategic positioning, operational plan, and resource plan;
- (vi) with executive management, develop, implement and maintain an optimal organization alignment to implement the business plan including the strategy (including the use of committees);
- (vii) resource allocation, strategic human resources management, succession planning, and talent pool development;
- (viii) leadership in the development of strong ties with clients, key stakeholders, investors, Board, and employees, including a key accountability for investor relations;
- (ix) leverage industry experience, expertise and relationships in acquisitions and alliances;
- (x) economic resourcing, including capital structure of the enterprise and financial management;
- (xi) support and development of enterprise values, culture and ethics and encourage and promote a culture of ethical business conduct and integrity throughout the Company in keeping with the Company's Code of Business Conduct and Ethics;
- (xii) review and establish, with the assistance of the Chief Financial Officer, the financial reporting and public disclosure of the Company including applicable disclosure controls and procedures and internal controls over financial reporting and satisfy himself or herself concerning the processes followed in their preparation and provide the certifications required under applicable securities laws concerning such reporting and disclosure;
- (xiii) report to, and meet regularly and as required, with the Board and all formally appointed Committees of the Board to review Board and Committee issues and provide the Board or the relevant Committee with all information and access to management necessary to permit the Board or the relevant Committee to fulfill its statutory and other legal obligations on a timely basis;
- (xiv) assist in the development of Board policies regarding the Company's communications with shareholders, the investment community, media, governments and their agencies, employees and the general public;

- (xv) coordinate with the Chair of the Board to ensure that information requested by a director is provided and meets the needs of that director;
- (xvi) perform such other duties as are regulatory and customarily performed by a Chief Executive Officer or a reporting issuer; and
- (xvii) such other appropriate responsibilities as are delegated to him or her by the Board.

Decisions Requiring Prior Approval of the Board

Approval of the Board shall be required for:

- (i) dividends to shareholders;
- (ii) significant acquisitions/dispositions;
- (iii) related party transactions;
- (iv) the public dissemination of any financial information;
- (v) the issuance or repurchase of securities of the Company;
- (vi) the terms of reference of Committees of the Board; and
- (vii) any other matter that would give rise to a “material change” to the Company.

In considering related party transactions, when appropriate, the Board will review a report of an independent financial advisor in making its decision. The foregoing list is intended to specify particular matters requiring Board approval and is not intended to be exhaustive.

Measures for Receiving Shareholder Feedback

The Company shall provide for a mechanism for feedback of shareholders. Persons designated to receive such information shall be required to provide a summary of the feedback to the directors on a regular basis.

Meetings

The Board will meet not less than four times per year: three meetings to review quarterly results; and one prior to the issuance of the annual financial results of the Company. A quorum for the meetings shall be a majority of the directors then holding office.

Meeting Guidelines

Directors will be expected to have read and considered the materials sent to them in advance of each meeting, and to be prepared to discuss the matters contained in such materials at the meeting. Administrative matters (e.g. bank signing resolutions, etc.) that require a vote may be batched for voting purposes. The notice of meeting will highlight significant matters to be dealt with at each meeting so that directors can focus on reviewing the related materials.

Remuneration

Remuneration shall be at a level that will attract and motivate professional and competent members.

Telephone Board Meetings

A director may participate in a meeting of the directors or in a committee meeting by means of telephone, electronic or such other communications facilities as permit all persons participating in the meeting to communicate with each other and a director participating in such a meeting by such means is deemed to be present at the meeting.

While it is the intent of the Board to follow an agreed meeting schedule as closely as possible, it is felt that, from time to time, with respect to time sensitive matters telephone Board meetings may be required to be called in order for directors to be in a position to better fulfill their legal obligations. Alternatively, management may request the directors to approve certain matters by unanimous consent, such as approval for the monthly dividends to shareholders. Such approval shall be received by signed resolutions from each director, sent to the Company electronically or in original form.

Expectations of Management

Management of the Company shall be required to report to the Board at the request of the Board on the performance of the Company, new and proposed initiatives, management's concerns and any other matter the Board or its Chair may deem appropriate in relation to the Company's business. In addition, the Board expects management to promptly report to the Chair of the Board any significant developments, changes, transactions or proposals respecting the Company.

Appendix A of the Mandate of the Board of Directors

Policy of Practices for Directors

Attendance at Meetings

Each director is expected to have a very high record of attendance at meetings of the Board, and at meetings of each committee on which the director sits. A director is expected to:

- (i) advise the Chair as to planned attendance at Board and Committee meetings shortly after meeting schedules have been distributed;
- (ii) advise the Chair as soon as possible after becoming aware that he or she will not be able to attend a meeting; and
- (iii) attend a meeting by conference telephone if unable to attend in person.

Preparation for Meetings

Directors are expected to carefully review and consider the materials distributed in advance of a meeting of the Board or a Committee. Directors are also encouraged to contact the Chair, the Chief Executive Officer of the Company and any other appropriate officers to ask questions and discuss agenda items prior to meetings.

Conduct at Meetings

Directors are expected to ask questions and participate in discussions at meetings, and to contribute relevant insights and experience. In discussions at meetings, a director should:

- (i) be candid and forthright;
- (ii) not be reluctant to express views contrary to those of the majority;
- (iii) be concise and, in most circumstances, respect the time constraints of a meeting; and
- (iv) be courteous to and respectful of other directors and guests in attendance.

Knowledge of the Business of the Company

Directors are expected to be knowledgeable with respect to the various fields and practices of business of the Company. Although management has a duty to keep the Board informed about developments in the Company's business, directors have a primary duty of care and diligence, which includes a duty of inquiry. Directors should:

- (i) ask questions of management and other directors/managers, at meetings and otherwise, to increase their knowledge of the business of the Company;
- (ii) familiarize themselves with the risks and challenges facing the business of the Company;
- (iii) read all internal memoranda and other documents circulated to the directors, and all reports and other documents issued by the Company for external purposes;
- (iv) insist on receiving adequate information from management with respect to a proposal before Board approval is requested;

- (v) familiarize themselves with the Company's competitors by, among other things, reading relevant news, magazine and trade journal articles; and
- (vi) familiarize themselves with the legal and regulatory framework within which the Company carries on its business.

Personal Conduct

Directors are expected to:

- (i) exhibit high standards of personal integrity, honesty and loyalty to the Company;
- (ii) project a positive image of the Company to news media, the financial community, governments and their agencies, shareholders and employees;
- (iii) be willing to contribute extra efforts, from time to time as may be necessary including, among other things, being willing to serve on committees of the Board; and
- (iv) disclose any potential conflict of interest that may arise with the business or affairs of the Company and, generally, avoid entering into situations where such conflicts could arise or could reasonably be perceived to arise.

Independent Advice

In discharging its mandate the Board shall have the authority to retain, authorize the payment by the Company of and receive advice from, special legal, accounting or other advisors and outside consultants, if appropriate.



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