

CORPORATE GOVERNANCE PRACTICES

Corporate governance practices have always been a priority at EXFO Inc. ("EXFO"). The following policies and charters have been in force for several years now and are being reviewed on a regular basis and updated as the case may be: Agent Code of Conduct; Audit Committee Charter; Board of Directors Corporate Governance Guidelines; Code of Ethics for Our Principal Executive Officer and Senior Financial Officers; Director Share Ownership Policy; Ethics and Business Conduct Policy; Human Resources Committee Charter; Independent Members Committee Charter; Majority Voting Policy; Policy Regarding Conflict Minerals; Policy Regarding Hiring Employees and Former Employees of Independent Auditor; Statement on Reporting Ethical Violations ("whistleblowing") as well as the Disclosure Guidelines and Securities Trading Policy. All these policies and charters are readily available from EXFO's website at www.EXFO.com, with the exception of the Disclosure Guidelines and the Securities Trading Policy. The Board of Directors is also implementing best practices such as Best Practices Regarding the Granting Date of Stock Incentive Compensation and the establishment of Guidelines Regarding the Filing and Disclosure of Material Contracts. In addition to the above-mentioned policies, the Board of Directors and management continue to keep abreast of applicable Canadian and U.S. regulatory requirements.

The Audit Committee was also very active throughout the year, ensuring compliance with the regulations of the U.S. Securities and Exchange Commission and the Canadian Securities authorities with respect to i) disclosure controls and procedures; and ii) internal control over financial reporting that apply to Canadian companies with shares registered in the U.S.

As achieving best practices in corporate governance is an ongoing process in an ever-changing context, this past year, the Board of Directors also reviewed procedures to monitor the effectiveness of the Board. The Board of Directors believes that EXFO's corporate governance practices do comply with current regulatory requirements. As new guidelines come into effect, we will continue to comply with these requirements. Further details about EXFO's corporate governance practices, policies and guidelines are published in the Management Proxy Circular and on EXFO's website.

Pursuant to the General By-Laws of the corporation, the present Board members were elected at our last Annual Meeting of Shareholders, held on January 9, 2019.

RESPONSIBILITIES OF THE BOARD

The Board is responsible for the stewardship of our business and affairs by reviewing, discussing and approving our strategic direction and organizational structure, as well as for the review and approval of management's strategic plan on an annual basis.

The Board also identifies the principal risks of our business and reviews EXFO's risk management systems on an annual and ongoing basis. In addition to matters requiring Board approval under applicable laws, the Board grants final approval with respect to each of the following: (i) the strategic direction of EXFO; (ii) material contracts, acquisitions or disposal of assets; and (iii) the annual operational plan, as well as capital and operating budgets.

The Board of Directors assumes direct responsibility for corporate governance practices and for monitoring the powers, the mandates and the performance of its committees. The Board is also responsible for the establishment and functioning of all Board committees, the appointment of members to serve on such committees, their compensation and their good standing. At regularly scheduled meetings of the Board, the Directors receive, consider and discuss committee reports.

From September 1, 2018 until November 1, 2019, the Board met a total of six (6) times. Attendance was satisfactory, as each member attended all meetings except for Mr. Germain Lamonde and Mr. Claude Séguin who were each absent at one (1) meeting.

Mr. François Côté has been acting as the Independent Lead Director since January 2016. As such, the Independent Lead Director is responsible for ensuring that the Board properly performs its duties, independent of management. The Independent Lead Director is required to hold as many Board of Directors meetings as necessary without management members present; additional meetings of independent Board members may also be held at any member's request. In June 2011 an Independent Members Committee Charter was adopted. From September 1, 2018 until November 1, 2019, the Independent Board members met a total of five (5) times; attendance was satisfactory, as all members attended all meetings except Mr. Claude Séguin who was absent at one (1) meeting.

As per its Human Resources Committee Charter (which integrates the Compensation Committee Charter and the Nominating and Governance Committee Charter), EXFO also has a formal procedure in place for recruiting new Directors.

COMPOSITION OF THE BOARD

Our articles of incorporation provide for a Board of Directors with a minimum of three (3) and a maximum of twelve (12) Directors. As at November 1, 2019, EXFO's Board consists of six (6) Directors, four (4) of whom are independent of management and free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with a Director's ability to act with a view to the best interests of EXFO, other than interests arising from non-significant shareholding. For the upcoming Annual General Meeting of the shareholders, which will be held on January 8, 2020, the number of Directors will be maintained at six (6) and as such, six (6) candidates will be elected Directors. EXFO's Directors are elected at the Annual General Meeting of Shareholders for one-year terms and serve until their successors are elected or appointed, unless they resign or are removed earlier.

Mr. Philippe Morin is a member of the Board and the Chief Executive Officer of EXFO and therefore not independent of management. The Executive Chairman of the Board, Mr. Germain Lamonde, is a majority shareholder of EXFO since he has the ability to exercise a majority of the votes for the election of the Board of Directors. Since four (4) Board members out of six (6) do not have interests in EXFO or relationships with either EXFO or Mr. Lamonde, except for non-significant shareholding in the company, EXFO believes that the interests of its investors, other than Mr. Lamonde's, are fairly represented. Moreover, since 2002, EXFO has named an independent director to act as Lead Director. Mr. François Côté has been acting as the independent Lead Director of the Corporation since January 2016.

The Lead Director is an outside and unrelated Director appointed by the Board of Directors to ensure that the Board of Directors can perform its duties in an effective and efficient manner independent of management. The appointment of a Lead Director is part of EXFO's ongoing commitment to good corporate governance.

COMMITTEES OF THE BOARD

Board committees play a significant role in the performance of Board duties and obligations; committee chairs submit items for Board agendas and report on committee activities. The members of these committees are appointed annually, and the Board may appoint additional ad hoc committees periodically, as needed.

EXFO has a practice of permitting the Board, any committee thereof, and any individual Director to hire independent, external advisors at its expense. The Audit Committee and the Human Resources Committee are entirely comprised of independent Directors.

The following is a general description of the composition and general duties of each Board committee, as determined in its mandate as at fiscal year ended August 31, 2019.

AUDIT COMMITTEE

Audit Committee Charter ensures full compliance with all applicable regulations. As such, the Audit Committee reviews interim in-house financial statements and annual audited financial statements and related disclosure documents, including Management's Discussion and Analysis of Financial Condition and Results of Operations, with management and external auditors and approves them prior to public release. The Audit Committee is also responsible for reviewing EXFO's internal control systems with regard to finance, accounting, legal compliance and ethical behavior. The Committee meets regularly with external auditors, with and without management, to consider the scope and results of their audits, including analysis of the adequacy of the internal controls and the effect of the procedures relating to the outside auditors' independence. The Committee also recommends to the shareholders the selection of external auditors for their appointment by the shareholders.

As at November 1, 2019, the Audit Committee is comprised of the following independent Directors: Mr. François Côté, Ms. Angela Logothetis, Mr. Claude Séguin and Mr. Randy E. Tornes. The Chair of the Audit Committee is Mr. Claude Séguin.

From September 1, 2018 until November 1, 2019, the Audit Committee met a total of five (5) times; attendance was satisfactory, as all members attended all meetings.

HUMAN RESOURCES COMMITTEE

EXFO's Human Resources Committee Charter, which integrates the Compensation Committee Charter and the Nominating and Governance Committee Charter, ensures full compliance with all applicable regulations. As such, the Human Resources Committee reviews, together with management, EXFO's Compensation Discussion and Analysis included in the Management Proxy Circular of EXFO, and then approves it prior to public disclosure.

In accordance with these charters, the Human Resources Committee is responsible for assessing the performance and establishing the annual compensation of all EXFO senior officers, including the Chief Executive Officer and Executive Chairman. This Committee also annually conducts a risk assessment associated to the compensation policies and practices for senior officers.

This Committee also reviews and submits to the Board the salary structure and the short-term and long-term incentive compensation programs for all EXFO employees.

The Committee is responsible for the review and approval of the employees who will receive performance share units (PSUs), restricted share units (RSUs) and stock options to purchase EXFO shares in accordance with policies established by the Board and the terms of the Long-Term Incentive Plan. In addition, the Committee annually reports to the Board regarding the organizational structure and succession plan for senior management. The remuneration to be paid by EXFO to the Directors, either in cash or in the form of deferred share units (DSUs) pursuant to the Deferred Share Unit Plan, is recommended to the Board by the Human Resources Committee. As at November 1, 2019, the Human Resources Committee is comprised of the following independent Directors: Mr. François Côté, Ms. Angela Logothetis, Mr. Claude Séguin and Mr. Randy E. Tornes. The Chair of the Human Resources Committee is Mr. François Côté since January 2015. From September 1, 2018 until November 1, 2019, the Human Resources Committee met a total of five (5) times; attendance was satisfactory, as all members attended all meetings except Mr. Claude Séguin who was absent at one (1) meeting.

As at November 1, 2019:

Name	Board of Directors	Audit Committee	HR Committee
Germain Lamonde	Chair		
Philippe Morin	●		
François Côté	Lead Director	●	Chair
Angela Logothetis	●	●	●
Claude Séguin	●	Chair	●
Randy E. Tornes	●	●	●

DISCLOSURE COMMITTEE

The Disclosure Committee is responsible for overseeing EXFO's disclosure practices, as per EXFO's Disclosure Guidelines, which ensure full compliance with all applicable regulations. The Disclosure Committee consists of the Executive Chairman, the Chief Executive Officer, the Chief Financial Officer, the Director of Investor Relations, the Director of Financial Reporting and Accounting, as well as the General Counsel and Corporate Secretary.

During the financial year that ended August 31, 2019, the Disclosure Committee ensured that the corporate governance policies adopted by the Board of Directors were made publicly available. This was done by posting the following documents on EXFO's website: Agent Code of Conduct; Articles of Incorporation and Certificates of Amendment; Audit Committee Charter; Board of Directors Corporate Governance Guidelines; Code of By-Laws; Code of Ethics for Our Principal Executive Officer and Senior Financial Officers; Director Share Ownership Policy; Ethics and Business Conduct Policy; Human Resources Committee Charter; Independent Members Committee Charter; Lead Director – Position Description; Majority Voting Policy; Policy Regarding Conflict Minerals; Policy Regarding Hiring Employees and Former Employees of Independent Auditor; Shareholder Suggestions – Director Nominees and Statement on Reporting Ethical Violations. The Disclosure Committee also ensured that a contact to the Independent Lead Director and the General Counsel was made available via EXFO's website.

SHAREHOLDER/INVESTOR COMMUNICATIONS AND FEEDBACK

The Chief Financial Officer assumes responsibility for investor relations. He is responsible for facilitating communications between senior management and EXFO's shareholders and financial analysts. Information to shareholders is disseminated through annual and quarterly reports, press releases, the Management Proxy Circular, the Annual General Shareholders' Meeting and investor presentations. EXFO receives and responds to all shareholders' inquiries in an appropriate and timely manner. In communications to senior management, the Chief Financial Officer also provides feedback from shareholders.

SECURITIES TRADING POLICY

The Securities Trading Policy is one of the necessary measures to prevent trading by persons in possession of material information. EXFO's Securities Trading Policy also ensures full compliance with applicable regulations.