

REITMANS

(CANADA) LIMITED

**ANNUAL INFORMATION FORM
FOR THE FISCAL YEAR ENDED**

February 2, 2019

May 2, 2019

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THE CORPORATION

(a) Incorporation

Reitmans (Canada) Limited (“Reitmans” or the “Corporation”) was incorporated under the laws of Canada on April 5, 1947 and continued under the *Canada Business Corporations Act* on May 23, 1980. By certificate of amendment dated June 22, 1983, the legal designation of the Class A shares in the capital of Reitmans was changed to “Class A non-voting” shares. On February 3, 1992, Reitmans was amalgamated with Reitmans Holdings Limited, a wholly-owned subsidiary. On August 2, 1998, Reitmans and its wholly-owned subsidiary, Reitmans Inc. were amalgamated. Subsequent to the Corporation’s 2003 fiscal year end, Shirmax Fashions Ltd. and all of its subsidiaries were amalgamated and the resulting amalgamated corporation was subsequently wound-up into the Corporation.

The registered office of Reitmans is located at 155 Wellington Street West, 40th Floor, Toronto, Ontario M5V 3J7. The principal office of Reitmans is located at 250 Sauvé Street West, Montreal, Québec H3L 1Z2.

(b) Subsidiaries

As at February 2, 2019, Reitmans had no subsidiaries whose total assets constitute more than 10% of the consolidated assets of the Corporation or whose total revenues constitute more than 10% of the consolidated revenues of the Corporation, and no subsidiaries with total assets and total revenues constituting, in the aggregate, more than 20% of the consolidated assets of the Corporation and more than 20% of the consolidated revenues of the Corporation, respectively.

BUSINESS OF THE CORPORATION

(a) Introduction

The Corporation engages principally in the retail sale of women’s wearing apparel. The retail activities of the Corporation are conducted under various trade names through the retail store banners of the Corporation. The majority of Reitmans’ merchandise is moderately priced and targeted to appeal principally to young and contemporary customers. The merchandise offered by the Corporation includes shirts, blouses, pants, dresses, skirts, sweaters, outerwear, activewear, lingerie, footwear and accessories. The Corporation diversifies its sales by targeting different markets through each of its different store banners and its portfolio of e-commerce sites. See “Business of the Corporation – Stores and E-Commerce”.

(b) General Development of the Corporation Over the Last Three Years

Year ended January 28, 2017 (“Fiscal 2017”)

Shifts in consumer behaviour and expectations changed the Canadian retail landscape and as a result, physical store traffic and store sales were meaningfully impacted as customers moved to online shopping. In order to satisfy the changing store and online demands, the Corporation completed in Fiscal 2017 a multi-year supply chain optimization and head office retail enterprise initiative (“SCORE”) and finalized a redesign of its distribution centre facility to accommodate the significant e-commerce growth experienced. The Corporation continued to drive cost efficiencies through its

global sourcing activities thereby helping to mitigate the negative impact of a stronger U.S. dollar on U.S. denominated purchases.

The Corporation focused its international efforts on wholesale expansion beyond Canadian borders with its plus-size offerings, continuing to target major customers, predominantly in the U.S.

In Fiscal 2017, the Corporation completed its closure of the Smart Set banner.

Year ended February 3, 2018 (“Fiscal 2018”)

Consumer online purchasing continued to remain a major focus with the Corporation remaining committed to deliver best-in-class digital customer experiences across its portfolio of e-commerce sites. Strategically, the Corporation adopted a “digital-first” approach, which facilitated rapid and sustainable growth in the digital and omnichannel retail environment. The Corporation invested aggressively to optimize and modernize all customer-facing processes and platforms, enhanced its core e-commerce platform, evolved its customer relationship management and marketing automation infrastructure, invested in its distribution and logistics systems and optimized its customer data management capabilities.

While the Corporation remained confident in the long-term growth potential of its HYBA brand, it initiated a plan to close all of its 17 HYBA store locations by the end of its fiscal year ended February 2, 2019. The Corporation’s management determined that the optimum strategy for the HYBA brand was to continue to offer HYBA-branded products across Canada through all of the Corporation’s Reitmans store locations, as well as e-commerce through the Reitmans website.

The Corporation continued its attempts to expand outside of Canada primarily through a wholesale and digital strategy in the U.S. The Corporation invested in the wholesale channel and focused its efforts with its plus-size offerings, targeting wholesale customers predominantly in the U.S. The Corporation launched a localized U.S. website in the third quarter of Fiscal 2018 for its Addition Elle banner and continued to work on developing brand recognition in the U.S. market to drive online sales growth. As part of this strategy, the Corporation also opened a pop-up shop in New York City. These ventures coincided with the Addition Elle brand’s runway show and participation in New York Fashion Week.

An impairment test was performed and a non-cash goodwill impairment charge of \$26.3 million related to the Addition Elle banner was recorded. Changes were made to the leadership of the Addition Elle banner and the Corporation was and continues to be optimistic that it has a strong team in place to drive growth and execute on its strategy.

Year ended February 2, 2019 (“Fiscal 2019”)

In Fiscal 2019, the Corporation undertook a number of strategic initiatives related to the planned growth of its e-commerce business. The Corporation intends to optimally fulfill orders by leveraging the inventory in its network of stores throughout Canada (ship from store). It is anticipated that this initiative, which includes enhancing inventory visibility and availability across all channels, will improve speed of delivery, accuracy of allocation and profitability. The Corporation commenced its ship from store initiative in the third quarter of Fiscal 2019 with its RW & CO. banner. The Corporation is encouraged with the results and plans to implement the initiative for the remaining banners during the fiscal year ending February 1, 2020.

The Corporation is also committed to deliver best-in-class digital customer experiences. Strategically, the Corporation has adopted a digital-first approach, to facilitate rapid and sustainable growth in the digital and omnichannel retail environment. This includes continued improvement to the customer's mobile experience. As a result, the Corporation continues to enhance its core e-commerce platform, evolve its customer relationship management and marketing automation infrastructure and optimize its customer data management capabilities.

In Fiscal 2019, the Corporation closed all of its 17 HYBA store locations.

(c) Stores and E-Commerce

As at February 2, 2019, the Corporation operated a total of five retail store banners consisting of 263 Reitmans, 115 Penningtons, 81 Addition Elle, 83 RW & CO. and 58 Thyme Maternity, for a total of 600 stores. The Corporation closed all of its 17 HYBA store locations during Fiscal 2019 but continues to offer HYBA-branded products through all of the Corporation's Reitmans store locations, as well as on the Reitmans website.

The Corporation has significantly reduced the number of stores over the past few years to optimize performance in select markets and respond to the changing buying behaviours of consumers as they shift to online shopping. The Corporation continues to evaluate the marketplace for brick and mortar store locations, evaluating opportunities to relocate existing stores to improved locations and enter new markets as deemed appropriate.

The majority of the Corporation's stores are located in enclosed shopping malls and power centres, which are situated both in central and suburban metropolitan areas and in smaller urban areas in Canada. The initiative for ship from store for e-commerce fulfillment is central to the Corporation's strategy to provide customers convenience, selection and ease of purchase, while enhancing customer loyalty and continuing to build brand awareness.

All of the Corporation's stores feature wall and selling-floor displays which coordinate merchandise in order to promote multiple sales. The number of apparel items being displayed in each store varies depending on the selling season and size of the store. The stores, which the Corporation believes must constantly present a fresh, contemporary shopping environment, are redecorated periodically or fully remodeled as necessary to augment sales.



Reitmans has grown to become one of Canada's most loved women's apparel and accessories brand, with a strong online presence and stores across Canada averaging 4,600 sq. ft. Reitmans' collections offer everything from timeless styles to lively must-haves in Canada's greatest style diversity with sizes ranging from 0-22 (XXS-3XL) in Tall, Regular and Petite. Reitmans in-house design team strives to create clothes that fit into their customers' lifestyles and encourage them to feel their most confident while staying true to and celebrating their own unique style. Reitmans' fashions can also be purchased online at reitmans.com. While all 17 HYBA store locations were closed in Fiscal 2019, HYBA-branded products continue to be offered online and at all Reitmans stores.

Penningtons

Pennington's is a Canadian market leader in plus size apparel catering to value conscious customers sizes 12 to 32. Pennington's offers a one-stop shop with apparel, shoes, bags, lingerie, accessories, lifestyle products and feature products from key brand partners. Through rapidly growing digital channels (penningtons.com) and stores across Canada, averaging 6,000 sq. ft., Penningtons offers its customer the flexibility to shop where, when and how she wants.

ADDITION ELLE

Addition Elle champions a fashion democracy, where style is not limited by size with a promise to deliver modern, fashionable clothes in an inspiring, world-class shopping experience in-store & online. Addition Elle's vision is to make the woman who wears our clothes feel confident, beautiful and included in the fashion world, delivering the latest trends in updated fashion essentials offering casual daywear, dresses, contemporary career, intimates, accessories, footwear, high performance activewear and a large assortment of premium denim labels. Addition Elle operates stores averaging 6,000 sq. ft. in major malls and power centers nationwide and an e-commerce site at additionelle.com.

RW&CO.

RW & CO. is an aspirational lifestyle brand which caters to men and women with an urban mindset. Whether for work or for weekend, RW & CO. offers fashion that blends the latest trends with style, quality and a unique attention to detail. RW & CO. operates stores averaging 4,500 sq. ft. in premium locations in major malls and power centres across Canada, as well as an e-commerce site at rw-co.com.



Thyme Maternity, Canada's leading fashion brand for modern moms-to-be, offers current styles for every aspect of life, from casual to work, including a complete line of nursing fashion and accessories. Thyme brings future moms valuable advice, fashion tips and product knowledge to help them on their incredible journey during and after pregnancy. Thyme operates stores averaging 2,000 sq. ft. in major malls and power centres nationwide. Thyme Maternity fashions can also be purchased online at thymematernity.com.

(d) Merchandising and Marketing

The merchandise sold by the Corporation is produced by a large number of manufacturers, predominantly in Asia. While some branded merchandise is sold by the Corporation, most of the merchandise consists of items produced for one of the Corporation's private labels. The Corporation's private label program is aimed at satisfying the demand for better quality merchandise, comparable to certain national brands, at lower prices. The Corporation leverages its buying power in the marketplace directly with manufacturers to have goods tailored to the Corporation's specifications

(construction, fabric, fit and style), which are sold at attractive prices while providing higher average mark-up for the Corporation than branded products.

Due to seasonality and the timing of holidays, the results of operations for any quarter are not necessarily indicative of the results of operations for the fiscal year. Seasonal sales patterns also result in variable levels of inventory throughout the year.

The Corporation follows a policy of continuous review of its inventory in order to identify slow-selling merchandise. If inventory exceeds customer demand for reasons of style, seasonal adaptation, adverse weather conditions or changes in customer preference, markdowns are taken to clear the merchandise. The Corporation emphasizes rapid turnovers and takes markdowns where required to keep merchandise fresh and current with customers' requirements and fashion trends.

The Corporation emphasizes customer service, including the presence of sales people in the stores, rather than self-service. The Corporation accepts merchandise returns for cash or credit within a reasonable time. Specific standards regarding customer service and employee conduct have been put in place throughout the Corporation's structure.

The Corporation has also instituted a customer complaints procedure that helps ensure the delivery of consistent, timely and accountable responses to customer complaints in keeping with the Corporation's customer service strategies and industry practices. The procedure provides guidelines to store and customer service representatives on the process to follow when responding to various types of customer complaints and helps lessen the likelihood of entailing the Corporation's liability.

(e) Purchasing and Distribution

Purchasing is conducted for each of the banners of the Corporation by a staff of merchandise managers and buyers dedicated to each such banner. The Corporation believes that this specialization of buyers for each banner allows them to focus on the particular customers and marketplace of the banner, thereby maximizing sales and gross margin by banner.

Distribution is conducted through the Corporation's distribution centre where all merchandise is received and processed for distribution to stores throughout Canada, primarily by common carrier.

The Corporation's distribution centre, located in St-Laurent, Québec, has 566,000 sq. ft. of working area, serving all five banners. Set on 1.1 million sq. ft. of land, the facility has over 40 shipping and receiving docks and is capable of processing up to 500,000 units a day in peak times during receiving and shipping season and more than 55 million units of merchandise per year. Computerized sorting equipment for both hanging garments and flat items is capable of serving over 1,100 stores. The same facility supports the Corporation's e-commerce activities. However, the Corporation will continue to optimally fulfill orders by leveraging the inventory in its network of stores throughout Canada (ship from store), which commenced in the third quarter of Fiscal 2019 with the Corporation's RW & CO. banner. It is anticipated that this initiative, which includes enhancing inventory visibility and availability across all channels, will improve speed of delivery, accuracy of allocation and profitability. The Corporation has implemented ship from store for the remaining banners during the first quarter of the fiscal year ending February 1, 2020.

During Fiscal 2019, no supplier of the Corporation accounted for more than 10% of the Corporation's merchandise purchases (determined at cost). On an annual basis, the Corporation

directly imports over 90% of its merchandise, largely from Asia. The Corporation does not have any formal, long-term arrangements with any of its merchandise suppliers. This allows the Corporation flexibility in placing its purchase orders. The Corporation maintains a buying office in Montreal, Québec, and sources from Asia primarily through a wholly-owned subsidiary of the Corporation in Hong Kong.

The Corporation has adopted a code of conduct for its suppliers. The Corporation is committed to conducting its business in accordance with ethical standards and the countries' local labour laws in which it does business. The Corporation will not knowingly do business with manufacturers whose practices fail to conform to its code of conduct for suppliers, and will not do business with any manufacturer which the Corporation knows violates the laws of the country in which it operates or permits its contract facilities to do so. The Corporation's code of conduct for suppliers is available on its website at www.reitmanscanadalimited.com.

The Corporation's arrangements with its foreign suppliers are subject to the risks attendant to doing business abroad, including the imposition of export duties, increases in the rate of import duties, customs clearances, political, social and economic instability, late deliveries, currency revaluations and fluctuations in exchange rates. The Corporation seeks to continually minimize its potential exposure to risks through, among other measures, geographical diversification of its sources of supply and shifts of purchases among countries and suppliers. The Corporation constantly monitors duty, tariff and quota-related developments. The Corporation believes that its operations have not been unduly adversely affected by any of these factors to date. However, the imposition or reimposition of new quotas, duties, tariffs or other restrictions, or the adverse adjustment of presently prevailing quota, duty or tariff levels, could have adverse effects upon the Corporation's operations and its ability to continue to import products at current or increased levels. The Corporation cannot predict with any degree of certainty the likelihood of any such events occurring.

The vast majority of the Corporation's non-Canadian sourced merchandise is priced and paid for in U.S. dollars. The Corporation in its normal course of business must make long lead-time commitments for a significant proportion of its merchandise purchases, in some cases extending twelve months. The Corporation has a variety of alternatives that it considers to manage its foreign currency exposure on cash flows related to these purchases. These include, but are not limited to, various styles of foreign currency option or forward contracts, normally not to exceed twelve months and spot rate purchases. The Corporation believes that the number and geographical diversity of its sources of supply minimize the risk of adverse consequences that would result from termination of its relationship with any of its larger suppliers. The Corporation also believes that it would have the ability to develop, over a reasonable period of time, adequate alternate sources of supply should any of its existing arrangements terminate. To date, the Corporation has not experienced any significant difficulty in obtaining merchandise and considers its sources of supply to be adequate.

The Corporation's merchants obtain chain-wide inventory information for each of the Corporation's banners generated by the Corporation's merchandise information system utilizing point-of-sale terminals, through which merchandise can be followed from the placement of the order to the actual sale. Based upon this data, the merchandise managers compare budgeted to actual sales and make merchandising decisions, as required, including re-order, markdowns and changes in buying plans.

The Corporation endeavours to be environmentally responsible and recognizes that the competitive pressures for economic growth and cost efficiency must be integrated with sound sustainability management, including environmental stewardship. The Corporation has adopted sourcing and other business practices to address the environmental concerns of its customers. The Corporation has established guidelines that require compliance with applicable environmental laws and regulations.

(f) Intangible Assets

The Corporation is the registered owner of 543 trademarks worldwide. The Corporation considers that some of its registered trademarks have significant value in the marketing of its merchandise.

(g) Competition

The retail sale of women's apparel is a highly competitive business with numerous competitors, including individual and chain fashion specialty stores, department stores and e-commerce sellers and a low barrier to entry. The Corporation cannot reasonably estimate the number of its competitors. However, the Corporation believes, based on such trade information as is available, that the Corporation is one of the largest Canadian retailers of women's apparel.

(h) Employees

As at February 2, 2019, the Corporation employed approximately 2,800 persons on a full-time basis and approximately 4,400 persons on a part-time basis (fewer than 29 hours per week).

The Corporation is not a party to any collective bargaining contract with respect to its employees and the Corporation considers its employee relations to be highly satisfactory.

(i) Principal Properties of the Corporation

The Corporation leases all of its retail locations. In addition, the Corporation owns a distribution centre, located at 5555 Henri-Bourassa Blvd. West, St-Laurent, Québec and its administration office premises comprising 385,000 sq. ft. and located at 250 Sauvé St. West, Montreal, Québec.

RISK FACTORS

The risks included here are not exhaustive. The Corporation operates in a very competitive and rapidly changing environment. New risk factors may emerge from time to time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on the Corporation's business.

Business Operation Risks

(a) Economic Environment

Economic factors that impact consumer spending patterns could deteriorate or remain unpredictable due to global, national or regional economic volatility. These factors could negatively affect the Corporation's revenue and margins. Inflationary trends are unpredictable and changes in the rate of inflation or deflation will affect consumer prices, which in turn could negatively affect

the financial performance of the Corporation. The Corporation closely monitors economic conditions in order to react to consumer spending habits and constraints in developing both its short-term and long-term operating decisions. The Corporation is in a strong financial position with significant liquidity available and ample credit resources to draw upon as deemed necessary.

(b) Competitive Environment

The retail apparel business in Canada is highly competitive with competitors including department stores, specialty apparel chains and independent retailers. If the Corporation is ineffective in responding to consumer trends or in executing its strategic plans, its financial performance could be negatively affected. There is no effective barrier to entry into the Canadian apparel retailing marketplace by any potential competitor, foreign or domestic, as witnessed by the arrival over the past years of a number of foreign-based competitors and additional foreign retailers continuing to expand into the Canadian marketplace. Additionally, Canadian consumers have a significant number of e-commerce shopping alternatives available to them on a global basis. The Corporation believes that it is well positioned to compete with any competitor. The Corporation operates multiple banners with product offerings that are diversified as each banner is directed to and focused on a different niche in the Canadian women's apparel market. The Corporation's stores, located throughout Canada, offer affordable fashions to consumers. The Corporation also offers an e-commerce alternative for shoppers through each of the banners' websites. The e-commerce retail landscape is highly competitive with both domestic and foreign competition. The Corporation has invested significantly in its e-commerce websites and social media to drive consumers to the websites and believes that it is positioned well to compete in this environment.

(c) Distribution and Supply Chain

The Corporation depends on the efficient operation of its sole distribution centre, such that any significant disruption in the operation thereof (e.g. natural disaster, system failures, destruction or major damage by fire), could materially delay or impair the Corporation's ability to replenish its stores on a timely basis or satisfy e-commerce demand causing a loss of sales and potential dissatisfaction amongst its customers, which could have a significant effect on the results of operations.

(d) Loyalty Programs

The Corporation's loyalty programs are a valuable offering to customers and provide a key marketing tool for the business. The marketing, promotional and other business activities related to possible changes to the loyalty programs must be well managed and coordinated to preserve positive customer perception. Any failure to successfully manage the loyalty programs may negatively impact the Corporation's reputation and financial performance.

(e) Leases

All of the Corporation's stores are held under leases, most of which can be renewed for additional terms at the Corporation's option. The Corporation has good relationships with its landlords. Any factor which would have the effect of impeding or affecting, in a material way, the Corporation's ability to lease prime locations or re-lease and/or renovate existing profitable locations, or delay the Corporation's ability to close undesirable locations could adversely impact the Corporation's operations.

(f) Consumer Shopping Patterns

Changes in customer shopping patterns could affect sales. Many of the Corporation's stores are located in enclosed shopping malls. The ability to sustain or increase the level of sales depends in part on the continued popularity of malls as shopping destinations and the ability of malls, tenants and other attractions to generate a high volume of customer traffic. Many factors that are beyond the control of the Corporation may decrease mall traffic, including economic downturns, closing of anchor department stores, weather, concerns of terrorist attacks, construction and accessibility, alternative shopping formats such as e-commerce, discount stores and lifestyle centres, among other factors. Any changes in consumer shopping patterns could adversely affect the Corporation's financial condition and operating results.

(g) Weather

Changes in weather can affect the planned receipt and/or distribution of merchandise and the timing of consumer spending, and may have an adverse effect upon the Corporation's results of operations. In particular, unseasonably warm or cold weather, especially during the Corporation's peak selling seasons, may have an adverse effect on consumer shopping patterns and on the Corporation's sales.

(h) Seasonality

The Corporation's business is seasonal and is also subject to a number of factors which directly impact retail sales of apparel over which it has no control, namely fluctuations in weather patterns, swings in consumer confidence and buying habits and the potential of rapid changes in fashion preferences.

(i) Information Technology

The Corporation depends on information systems to manage its operations, including a full range of retail, financial, merchandising and inventory control, planning, forecasting, reporting and distribution systems. The Corporation continues to undertake investments in new IT systems to improve the operating effectiveness of the organization. Failure to successfully migrate from legacy systems to new IT systems or a significant disruption in the Corporation's IT systems in general could result in a lack of accurate data to enable management to effectively manage day-to-day operations of the business or achieve its operational objectives, causing significant disruptions to the business and potential financial losses. The Corporation also depends on relevant and reliable information to operate its business. As the volume of data being generated and reported continues to increase across the Corporation, data accuracy, quality and governance are required for effective decision making.

Failure to successfully adopt or implement appropriate processes to support the new IT systems, or failure to effectively leverage or convert data from one system to another, may preclude the Corporation from optimizing its overall performance and could result in inefficiencies and duplication in processes, which in turn could adversely affect the reputation, operations or financial performance of the Corporation. Failure to realize the anticipated strategic benefits including revenue growth, anticipated cost savings or operating efficiencies associated with the new IT systems could adversely affect the reputation, operations or financial performance of the Corporation.

(j) Laws and Regulations

The Corporation is structured in a manner that management considers to be most effective to conduct its business. The Corporation is subject to material and adverse changes in government regulation that might impact income and sales, taxation, duties, quota impositions or re-impositions and other legislated or government regulated matters.

Changes to any of the laws, rules, regulations or policies (collectively, “laws”) applicable to the Corporation’s business, including income, capital, property and other taxes, and laws affecting the importation, distribution, packaging and labelling of products, could have an adverse impact on the financial or operational performance of the Corporation. In the course of complying with such changes, the Corporation could incur significant costs. Changing laws or interpretations of such laws or enhanced enforcement of existing laws could restrict the Corporation’s operations or profitability and thereby threaten the Corporation’s competitive position and ability to efficiently conduct business. Failure by the Corporation to comply with applicable laws and orders in a timely manner could subject the Corporation to civil or regulatory actions or proceedings, including fines, assessments, injunctions, recalls or seizures, which in turn could negatively affect the reputation, operations and financial performance of the Corporation.

The Corporation is subject to tax audits from various government and regulatory agencies on an ongoing basis. As a result, from time to time, taxing authorities may disagree with the positions and conclusions taken by the Corporation in its tax filings or laws could be amended or interpretations of current laws could change, any of which events could lead to reassessments. These reassessments could have a material impact on the Corporation’s financial position, operating results or cash flows in future periods.

(k) Merchandise Sourcing

Virtually all of the Corporation’s merchandise is private label. On an annual basis, the Corporation directly imports over 90% of its merchandise, largely from Asia. In Fiscal 2019, no supplier represented more than 10% of the Corporation’s purchases (in dollars and/or units) and there are a variety of alternative sources (both domestic and international) for virtually all of the Corporation’s merchandise. The Corporation has good relationships with its suppliers and has no reason to believe that it is exposed to any material risk that would prevent the Corporation from acquiring, distributing and/or selling merchandise on an ongoing basis.

The Corporation endeavours to be environmentally responsible and recognizes that the competitive pressures for economic growth and cost efficiency must be integrated with sound sustainability management, including environmental stewardship. The Corporation has adopted sourcing and other business practices to address the environmental concerns of its customers. The Corporation has established guidelines that require compliance with all applicable environmental laws and regulations. Although the Corporation requires its suppliers to adhere to these guidelines, there is no guarantee that these suppliers will not take actions that could hurt the Corporation’s reputation, as they are independent third parties that the Corporation does not control. However, if there is a lack of apparent compliance, it may lead the Corporation to search for alternative suppliers. This may have an adverse effect on the Corporation’s financial results, by increasing costs and potentially causing delays in delivery.

(I) Cyber Security, Privacy and Protection of Personal Information

The Corporation is subject to various laws regarding the protection of personal information of its customers, cardholders and employees and has adopted a Privacy Policy setting out guidelines for the handling of personal information. The Corporation's IT systems contain personal information of customers, cardholders and employees. Any failures or vulnerabilities in these systems or non-compliance with laws or regulations, including those in relation to personal information belonging to the Corporation's customers and employees, could negatively affect the reputation, operations and financial performance of the Corporation.

The Corporation depends on the uninterrupted operation of its IT systems, networks and services including internal and public internet sites, data hosting and processing facilities, cloud-based services and hardware, such as point-of-sale processing at stores, to operate its business. In the ordinary course of business, the Corporation collects, processes, transmits and retains confidential, sensitive and personal information ("Confidential Information") regarding the Corporation and its employees, vendors, customers and credit card holders. Some of this Confidential Information is held and managed by third party service providers. As with other large and prominent companies, the Corporation is regularly subject to cyber attacks and such attempts are occurring more frequently, are constantly evolving in nature and are becoming more sophisticated.

The Corporation has implemented security measures, including employee training, monitoring and testing, maintenance of protective systems and contingency plans, to protect and to prevent unauthorized access of Confidential Information and to reduce the likelihood of disruptions to its IT systems. The Corporation also has security processes, protocols and standards that are applicable to its third party service providers. Despite these measures, all of the Corporation's information systems, including its back-up systems and any third party service provider systems that it employs, are vulnerable to damage, interruption, disability or failures due to a variety of reasons, including physical theft, fire, power loss, computer and telecommunication failures or other catastrophic events, as well as from internal and external security breaches, denial of service attacks, viruses, worms and other known or unknown disruptive events.

The Corporation or its third party service providers may be unable to anticipate, timely identify or appropriately respond to one or more of the rapidly evolving and increasingly sophisticated means by which computer hackers, cyber terrorists and others may attempt to breach the Corporation's security measures or those of our third party service providers' information systems. As cyber threats evolve and become more difficult to detect and successfully defend against, one or more cyber threats might defeat the Corporation's security measures or those of its third party service providers. Moreover, employee error or malfeasance, faulty password management or other irregularities may result in a breach of the Corporation's or its third party service providers' security measures, which could result in a breach of employee, customer or credit card holder privacy or Confidential Information.

If the Corporation does not allocate and effectively manage the resources necessary to build and sustain reliable IT infrastructure, fails to timely identify or appropriately respond to cyber security incidents, or the Corporation's or its third party service providers' information systems are damaged, destroyed, shut down, interrupted or cease to function properly, the Corporation's business could be disrupted and the Corporation could, among other things, be subject to: transaction errors; processing inefficiencies; the loss of existing customers or failure to attract new customers; the loss of sales; the loss or unauthorized access to Confidential Information or other

assets; the loss of or damage to intellectual property or trade secrets; damage to its reputation; litigation; regulatory enforcement actions; violation of privacy, security or other laws and regulations; and remediation costs.

(m) Legal Proceedings

In the ordinary course of business, the Corporation is involved in and potentially subject to legal proceedings. The proceedings may involve suppliers, customers, regulators, tax authorities or other persons. The potential outcome of legal proceedings and claims is uncertain and could result in a material adverse effect on the Corporation's reputation, operations or financial condition or performance.

(n) Merchandising, Electronic Commerce and Disruptive Technologies

The Corporation may have inventory that customers do not want or need, is not reflective of current trends in customer tastes, habits or regional preferences, is priced at a level customers are not willing to pay or is late in reaching the market. In addition, the Corporation's operations, specifically inventory levels, sales, volume and product mix, are impacted to some degree by seasonality, including certain holiday periods in the year. If merchandising efforts are not effective or responsive to customer demand, it could adversely affect the Corporation's financial performance.

The Corporation's e-commerce business continues to show significant growth. As part of the e-commerce initiative, customers expect innovative concepts and a positive customer experience, including a user-friendly website, safe and reliable processing of payments and a well-executed merchandise pick up or delivery process. If systems are damaged or cease to function properly, capital investment may be required. The Corporation is also vulnerable to various additional uncertainties associated with e-commerce including website downtime and other technical failures, changes in applicable federal and provincial regulations, security breaches, and consumer privacy concerns. If these technology-based systems do not function effectively, the Corporation's ability to grow its e-commerce business could be adversely affected. The Corporation has increased its investment in improving the digital customer experience, but there can be no assurances that the Corporation will be able to recover the costs incurred to date.

The retail landscape is quickly changing due to the rise of the digitally influenced shopping experience and the emergence of disruptive technologies. In addition, the effect of increasing digital advances could have an impact on the physical space requirements of retail businesses. Although the importance of a retailer's physical presence has been demonstrated, the size requirements and locations may be subject to further disruption. Any failure to adapt the business models to recognize and manage this shift in a timely manner could adversely affect the Corporation's operations or financial performance.

(o) Key Management and Ability to Attract and/or Retain Key Personnel

The Corporation's success depends upon the continued contributions of key management, some of whom have unique talents and experience and would be difficult to replace in the short term. The loss or interruption of the services of a key executive could have a negative effect on the Corporation during the transitional period that would be required for a successor to assume the responsibilities of the key management position. The Corporation's success will also depend on the ability to attract and retain other key personnel. The Corporation may not be able to attract or retain these employees, which could negatively affect the business.

(p) Financial Risks

The Corporation may periodically use derivative financial instruments to manage risks related to fluctuations in foreign exchange rates. The use of derivative financial instruments is governed by the Corporation's risk management policies approved by the Board of Directors. The Corporation's risk management policies are established to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Corporation's activities. Disclosures relating to the Corporation's exposure to risks, in particular credit risk, liquidity risk, foreign currency risk, interest rate risk and equity price risk are provided below.

(q) Credit Risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Corporation's financial instruments that are exposed to concentrations of credit risk are primarily cash and cash equivalents, marketable securities, trade and other receivables and foreign currency forwards contracts. The Corporation limits its exposure to credit risk with respect to cash and cash equivalents and foreign currency forwards contracts by dealing with major Canadian financial institutions. Marketable securities consist of preferred shares of highly-rated Canadian public companies. The Corporation's trade and other receivables consist primarily of credit card receivables from the last few days of the fiscal year, which are settled within the first days of the next fiscal year. Due to the nature of the Corporation's activities and the low credit risk of the Corporation's trade and other receivables as at February 2, 2019 and February 3, 2018, expected credit loss on these financial assets is not significant.

As at February 2, 2019, the Corporation's maximum exposure to credit risk for these financial instruments was as follows:

Cash and cash equivalents	\$ 112,518,000
Marketable securities	49,690,000
Trade and other receivables	7,897,000
Derivative financial asset	1,900,000
	<u>\$ 172,005,000</u>

(r) Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due. The contractual maturity of the majority of trade and other payables is within twelve months. As at February 2, 2019, the Corporation had a high degree of liquidity with \$162,208,000 in cash and cash equivalents and marketable securities. In addition, the Corporation has unsecured credit facilities of \$75,000,000 subject to annual renewals. The Corporation has financed its store expansion through internally-generated funds and its unsecured credit facilities are used to finance seasonal working capital requirements for U.S. dollar merchandise purchases.

(s) Foreign Currency Risk

The Corporation purchases a significant amount of its merchandise with U.S. dollars and as such significant volatility in the U.S. dollar *vis-à-vis* the Canadian dollar can have an adverse impact on the Corporation's gross margin. The Corporation has a variety of alternatives that it considers to manage its foreign currency exposure on cash flows related to these purchases. These include, but are not limited to, various styles of foreign currency option or forward contracts, normally not to exceed twelve months and spot rate purchases. A foreign currency option contract represents an option or obligation to buy a foreign currency from a counterparty. A forward foreign exchange contract is a contractual agreement to buy or sell a specified currency at a specific price and date in the future. The Corporation enters into certain qualifying foreign exchange contracts that it designates as cash flow hedging instruments. This has resulted in mark-to-market foreign exchange adjustments, for qualifying hedged instruments, being recorded as a component of other comprehensive income. The foreign exchange contracts that were settled during Fiscal 2019 were designated as cash flow hedges and qualified for hedge accounting. The underlying risk of the foreign exchange contracts is identical to the hedged risk, and accordingly the Corporation established a ratio of 1:1 for all foreign exchange hedges.

The Corporation has performed a sensitivity analysis on its U.S. dollar denominated financial instruments, which consist principally of cash and cash equivalents of \$8,611,000, trade receivables of \$1,260,000 and trade payables of \$45,141,000, to determine how a change in the U.S. dollar exchange rate would impact net earnings. On February 2, 2019, a 5% rise or fall in the Canadian dollar against the U.S. dollar, assuming that all other variables, in particular interest rates, had remained the same, would have resulted in a \$1,284,000 increase or decrease, respectively, in the Corporation's net earnings for Fiscal 2019.

The Corporation has performed a sensitivity analysis on its derivative financial instruments (which are all designated as cash flow hedges), to determine how a change in the U.S. dollar exchange rate would impact other comprehensive income. On February 2, 2019, a 5% rise or fall in the Canadian dollar against the U.S. dollar, assuming that all other variables had remained the same, would have resulted in a \$7,247,000 decrease or increase, respectively, in the Corporation's other comprehensive income for Fiscal 2019.

(t) Interest Rate Risk

Interest rate risk exists in relation to the Corporation's cash and cash equivalents. Market fluctuations in interest rates impacts the Corporation's earnings with respect to interest earned on cash and cash equivalents that are invested mainly with major Canadian financial institutions. The Corporation has unsecured borrowing and working capital credit facilities available up to an amount of \$75,000,000 or its U.S. dollar equivalent that it utilizes for documentary and standby letters of credit, and the Corporation funds the drawings on these facilities as the payments are due.

The Corporation has performed a sensitivity analysis on interest rate risk at February 2, 2019, to determine how a change in interest rates would impact net earnings. For Fiscal 2019, the Corporation earned interest income of \$2,202,000 on its cash and cash equivalents. An increase or decrease of 100 basis points in the average interest rate earned during the year would have increased or decreased net earnings by \$607,000, respectively. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

(u) Equity Price Risk

Equity price risk arises from marketable securities. The Corporation monitors the mix of equity securities in its investment portfolio based on market expectations. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Chief Executive Officer.

The Corporation has performed a sensitivity analysis on equity price risk at February 2, 2019, to determine how a change in the market price of the Corporation's marketable securities would impact net earnings. The Corporation's equity investments consist of preferred shares of Canadian public companies. The Corporation believes that changes in interest rates influence the market price of these securities. A 5% increase or decrease in the market price of the securities at February 2, 2019 would result in a \$1,933,000 increase or decrease, respectively, in net earnings for the year ended February 2, 2019. The Corporation's equity securities are subject to market risk and, as a result, the impact on net earnings may ultimately be greater than that indicated above.

DIVIDEND POLICY

The Corporation does not have a dividend policy. With regard to dividend guidelines, the Board of Directors considers the Corporation's earnings per share, cash flow from operations, the level of planned capital expenditures and its cash and marketable securities. The targeted payout ratio is approximately 50% to 80% of sustainable earnings per share, 50% to 75% of cash flow from operations with consideration as to the ability to increase the dividend from the liquidity on the Corporation's balance sheet, if these targets are missed in a given year. The Board of Directors reviews these guidelines regularly.

The cash dividends declared per Class A non-voting and common share for the three most recently completed financial years were \$0.20 per share for Fiscal 2019, \$0.20 per share for Fiscal 2018 and \$0.20 per share for Fiscal 2017.

A quarterly cash dividend of \$0.05 per share was declared on all Class A non-voting and common shares outstanding, payable on April 26, 2019 to shareholders of record on April 16, 2019.

DESCRIPTION OF CAPITAL STRUCTURE

Holders of common shares are entitled to receive notice, attend and vote at meetings of shareholders of the Corporation. Holders of common shares are entitled to one vote for each common share held in respect of all matters which may properly come before meetings of shareholders. The holders of Class A non-voting shares are not entitled to receive notice of, attend or vote at meetings of shareholders of the Corporation, except as expressly provided by law or in certain circumstances.

The Class A non-voting shares and the common shares of the Corporation rank equally and *pari passu* with respect to the right to receive dividends and upon any distribution of the assets of the Corporation. However, in the case of share dividends, the holders of common shares have the right to receive common shares and the holders of Class A non-voting shares have the right to receive Class A non-voting shares.

As at May 2, 2019, there were 13,440,000 common shares and 49,890,266 Class A non-voting shares of the Corporation issued and outstanding.

MARKET FOR SECURITIES

The common shares and the Class A non-voting shares of Reitmans are listed and posted for trading on the Toronto Stock Exchange (the “TSX”).

The price ranges and volume of the Class A non-voting shares of the Corporation traded on the TSX on a monthly basis from February 2018 to January 2019 (February 1, 2019) were as follows:

Class A Non-Voting Shares (RET.A)

<u>Month</u>	<u>High (\$)</u>	<u>Low (\$)</u>	<u>Volume Traded</u>
February 2018	4.44	4.02	248,645
March 2018	4.31	3.92	222,705
April 2018	4.20	3.81	378,992
May 2018	4.30	3.89	475,469
June 2018	4.28	4.00	634,317
July 2018	4.53	4.04	233,087
August 2018	4.47	4.12	335,177
September 2018	4.30	4.05	137,045
October 2018	4.20	3.77	323,235
November 2018	3.96	3.41	2,837,716
December 2018	4.01	3.40	505,943
January 2019 (Up to and including February 1, 2019)	4.14	3.57	200,206

The price ranges and volume of the common shares of the Corporation traded on the TSX on a monthly basis from February 2018 to January 2019 (February 1, 2019) were as follows:

Common Shares (RET)

<u>Month</u>	<u>High (\$)</u>	<u>Low (\$)</u>	<u>Volume Traded</u>
February 2018	4.22	3.90	52,312
March 2018	4.25	3.87	95,455
April 2018	4.06	3.80	76,797
May 2018	4.25	3.90	73,167
June 2018	4.20	3.90	42,002
July 2018	4.45	3.92	53,623
August 2018	4.31	4.01	41,374
September 2018	4.25	3.96	28,428
October 2018	4.15	3.90	48,273
November 2018	3.95	3.42	292,188
December 2018	3.75	3.32	67,153
January 2019 (Up to and including February 1, 2019)	4.12	3.28	50,301

PRIOR SALES

No securities of the Corporation that are outstanding but not listed or quoted on a marketplace were issued during Fiscal 2019.

DIRECTORS AND OFFICERS

During the last five years, all of the directors and officers listed below have been engaged in their present principal occupations or in other executive capacities with the companies indicated opposite their names or with related or affiliated companies, except as noted below:

<u>Name and residence</u>	<u>Position held with Reitmans</u>	<u>Director since</u>	<u>Principal occupation during last 5 years if different than position held with the Corporation</u>
Diane Archibald Québec, Canada	Vice-President – Store Design and Development	N/A	—
Aldo Battista Québec, Canada	Vice-President – Comptroller	N/A	Prior to August 2018, Mr. Battista was Assistant Comptroller of the Corporation.
Julie Blanchet Québec, Canada	Vice-President – Talent Management	N/A	Prior to March 2019, Ms. Blanchet was Director, Talent Development of Ubisoft Entertainment Inc., a Montréal-based gaming company. Prior to May 2017, Ms. Blanchet was Director, Leadership Development of SNC-Lavalin Group Inc, an engineering company. Prior to December 2014, Ms. Blanchet was Director, Organizational Development, Training and Talent Acquisition of the Corporation.
Maria Bligouras Québec, Canada	Vice-President, Planning & Allocation – Penningtons	N/A	—
Leta Bridgeman Québec, Canada	Vice-President – Global Sourcing	N/A	—
Marie-Soleil Calvert Québec, Canada	Vice-President, Merchandising – Penningtons	N/A	Prior to December 2017, Ms. Calvert was Director, Merchandising for Penningtons. Prior to June 2015, Ms. Calvert was Merchandise Manager for Penningtons.
Domenic Carbone Québec, Canada	Vice-President – Distribution and Logistics	N/A	—
Cathy Cockerton Québec, Canada	Vice-President, Sales & Operations – Reitmans	N/A	Prior to April 2017, Ms. Cockerton was Vice-President, Sales & Operations for Penningtons. Prior to May 2014, Ms. Cockerton was Vice-President, Sales & Operations for Smart Set.
Ian Dorais Québec, Canada	Vice-President, Planning & Allocation – Reitmans	N/A	Prior to February 2018, Mr. Dorais was Vice-President, Planning & Allocation for Addition Elle. Prior to June 2015, Mr. Dorais was Vice-President, Merchandise and Planning for Birks Group Inc. (jewelry retailer).
Jonathon Fitzgerald Québec, Canada	Group President – Addition Elle and Penningtons	N/A	Prior to November 2017, Mr. Fitzgerald was Chief Executive Officer of Mamas & Papas, a UK-based retailer and manufacturer of baby products and maternity wear.
Carmelina Foglia Québec, Canada	Vice-President, Marketing & Visual Presentation – Addition Elle and Penningtons	N/A	Prior to April 2019, Ms. Foglia was Director, Marketing for Addition Elle.

<u>Name and residence</u>	<u>Position held with Reitmans</u>	<u>Director since</u>	<u>Principal occupation during last 5 years if different than position held with the Corporation</u>
Jean-François Fortin Québec, Canada	Vice-President, Planning & Allocation – RW & CO.	N/A	—
Nicolas Gaudreau Québec, Canada	Chief Marketing Officer	N/A	Prior to September 2017, Mr. Gaudreau was Chief Marketing Officer for Groupe Dynamite Inc., a leading Canadian fashion retailer. Prior to November 2015, Mr. Gaudreau was Senior Vice-President and Chief Marketing Officer for the Yellow Pages Group, a Canadian media company.
Imran Gibbons Québec, Canada	Vice-President – Financial Planning & Analysis	N/A	Prior to October 2018, Mr. Gibbons was Senior Director of Financial Planning and Analysis at McKesson, Canada.
Gino Gualtieri Ontario, Canada	Vice-President – Chief Information Officer	N/A	Prior to November 2015, Mr. Gualtieri was Chief Information Officer at Unique Solutions Design Ltd., a start-up technology company.
Bruce J. Guerriero ⁽¹⁾⁽²⁾ Québec, Canada	Director	2016	Corporate director and business advisor.
Randi Haimovitz Québec, Canada	Vice-President – HR Business Partnerships	N/A	Prior to October 2018, Ms. Haimovitz was Director – HR Business Partnerships
Rosalba Iannuzzi Québec, Canada	Vice-President, Merchandising – Addition Elle	N/A	Prior to February 2018, Ms. Iannuzzi was Director, Merchandising at Reitmans. Prior to June 2015 Ms. Iannuzzi was Manager, Merchandising at Reitmans.
David J. Kassie ⁽¹⁾⁽²⁾ Ontario, Canada	Director	2012	Executive Chairman, Canaccord Genuity Group Inc. (financial services).
Marie-Josée Lamothe ⁽³⁾ Québec, Canada	Director	2015	Ms. Lamothe is currently President at Tandem International, a privately owned advisory firm specialized in omni-channel branding & analytics. Prior to August 2018, Ms. Lamothe was Managing Director: Consumer Goods and Branding Canada and Managing Director of Québec at Alphabet Inc. (technology).
Alain Lessard Québec, Canada	Vice-President, Merchandising – RW & CO.	N/A	—
Roxane Liboiron Québec, Canada	Vice-President, Marketing & Visual Presentation – Thyme Maternity and HYBA	N/A	Prior to January 2018, Ms. Liboiron was Vice-President, Marketing & Visual Presentation for Thyme Maternity.
Samuel Minzberg Québec, Canada	Director	2000	Counsel, Davies Ward Phillips & Vineberg LLP (attorneys). Prior to January 2017, Mr. Minzberg was a Partner at Davies Ward Phillips & Vineberg LLP (attorneys).
Jennifer Morra Québec, Canada	Vice-President, Sales & Operations – Thyme Maternity and HYBA	N/A	Prior to January 2018, Ms. Morra was Vice-President, Sales & Operations for Thyme Maternity. Prior to April 2017, Ms. Morra was Director, Sales & Operations at Penningtons.
Alain Murad Québec, Canada	Vice-President, Legal & Secretary	N/A	—
Rob Nemett Québec, Canada	Vice-President – Retail Systems	N/A	Prior to October 2016, Mr. Nemett was a management consultant in the retail practice of global consulting firm Kurt Salmon (now a part of Accenture) (global management consulting and professional services company).

<u>Name and residence</u>	<u>Position held with Reitmans</u>	<u>Director since</u>	<u>Principal occupation during last 5 years if different than position held with the Corporation</u>
Lynda Newcomb Québec, Canada	Chief Human Resources Officer	N/A	Prior to May 2018, Ms. Newcomb was Vice-President, Human Resources at Bayer Inc.. Prior to August 2014, Ms. Newcomb was Vice-President, People & Culture at Mega Brands Inc..
Daniel Rabinowicz ⁽²⁾⁽³⁾ Québec, Canada	Director	2012	Business consultant.
Jeremy H. Reitman Québec, Canada	Chairman and Chief Executive Officer and Director	1975	—
Stephen F. Reitman Québec, Canada	President and Chief Operating Officer and Director	1984	Prior to November 2017, Mr. Reitman was President and Director of the Corporation.
Jeff Ronald Ontario, Canada	Vice-President, Sales & Operations – RW & CO.	N/A	—
Allen F. Rubin Québec, Canada	Vice-President – Operations	N/A	—
Saul Schipper Québec, Canada	Vice-President – Real Estate	N/A	—
Gillian Ship Québec, Canada	Vice-President – Marketing Strategy and Insight	N/A	Prior to March 2018, Ms. Ship was Practice Lead CRM at National Bank of Canada, a Canadian chartered bank. Prior to November 2016, Ms. Ship was Senior Manager, Retail Marketing at Aimia, a Canadian marketing and analytics company.
Lisa Singer Québec, Canada	Vice-President, Merchandising – Thyme Maternity	N/A	Prior to February 2018, Ms. Singer was Director, Merchandising at Thyme Maternity. Prior to June 2015, Ms. Singer was Manager, Merchandising at Thyme Maternity.
Michele Sleppekis Québec, Canada	Vice-President, Marketing & Visual Presentation – RW & CO.	N/A	Prior to November 2016, Ms. Sleppekis was self-employed as a business consultant.
Howard Stotland ⁽¹⁾⁽²⁾⁽³⁾ Québec, Canada	Director	2003	Business consultant.
Michael Strachan Ontario, Canada	Group President – Reitmans, HYBA and Thyme Maternity	N/A	Prior to January 2018, Mr. Strachan was President of Reitmans. Prior to March 2016, Mr. Strachan was President and Founder of Michael Strachan Consulting Inc. (retail consulting firm).
Jacqueline Tardif Québec, Canada	President – Reitmans	N/A	Prior to January 2018, Ms. Tardif was Senior Vice-President at Reitmans. Prior to May 2014, Ms. Tardif was General Manager of Smart Set.
Lora Tisi Ontario, Canada	President – RW & CO.	N/A	Prior to November 2014, Ms. Tisi was a Principal at Tisi Consulting (retail).
Katia Torasso Québec, Canada	Vice-President, Merchandising – Reitmans	N/A	Prior to January 2019, Ms. Torasso was Director of Merchandising for the Reitmans division.
Danielle Vallières Québec, Canada	Vice-President – Global Sourcing	N/A	—
Valerie Vedrines Québec, Canada	Vice-President, Marketing & Visual Presentation – Reitmans	N/A	Prior to January 2018, Ms. Vedrines was Vice-President Brand Commercialization – Marketing, Visual Merchandising, Wholesale at ALDO Group Inc., a leading Canadian retailer of footwear. Prior to November 2014, Ms. Vedrines was Vice-President, Marketing & Visual Presentation for Smart Set.

<u>Name and residence</u>	<u>Position held with Reitmans</u>	<u>Director since</u>	<u>Principal occupation during last 5 years if different than position held with the Corporation</u>
Elara Verret Québec, Canada	Vice-President, Digital Strategy & Global ECommerce	N/A	Prior to April 2019, Ms. Verret was Vice-President Marketing and Ecommerce at Psycho Bunny. Prior to May 2018, Ms. Verret was Vice-President Marketing at Psycho Bunny. Prior to August 2017, Ms. Verret was Director Digital Brand Commercialization at ALDO Group. Prior to January 2015, Ms. Verret was Director Multi-Channel Marketing at ALDO Group.
Robert S. Vineberg ⁽³⁾ Québec, Canada	Director	1987	Partner, Davies Ward Phillips & Vineberg LLP (attorneys).
Richard Wait, CPA, CGA Québec, Canada	Vice-President – Finance and Chief Financial Officer	N/A	Prior to August 2018, Mr. Wait was Vice-President – Comptroller of the Corporation.
Ann Wigglesworth-Matyi Ontario, Canada	Vice-President – Sales & Operations, Addition Elle and Penningtons	N/A	Prior to January 2019, Ms. Wigglesworth-Matyi was Director, Sales & Operations for Addition Elle.
Naghm Yassawi Québec, Canada	Vice-President, Planning & Allocation – Addition Elle	N/A	Prior to February 2018, Ms. Yassawi was Director, Planning & Allocation for Reitmans. Prior to October 2014, Ms. Yassawi was Director, Planning & Allocation for Addition Elle.

NOTES:

- (1) Member of the Audit Committee of the Board of Directors of Reitmans.
- (2) Member of the Human Resources and Compensation Committee of the Board of Directors of Reitmans.
- (3) Member of the Governance Committee of the Board of Directors of Reitmans.

As a group, the directors and officers of Reitmans beneficially own or have control or direction over, directly or indirectly, approximately 7,643,614 common shares of the Corporation, representing approximately 57% of the issued and outstanding common shares of the Corporation, and 3,330,313 Class A non-voting shares of the Corporation, representing approximately 7% of the issued and outstanding Class A non-voting shares of the Corporation.

The term of office of each director expires at the close of the annual meeting of shareholders, unless such director resigns or is re-elected at such meeting. There is no executive committee of the Board of Directors of Reitmans. There is an Audit Committee, Human Resources and Compensation Committee and Governance Committee of the Board of Directors of Reitmans.

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

To the knowledge of the directors and executive officers of the Corporation, except as set forth below, no director or officer of the Corporation is, as at the date hereof, or has been, within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company, that,

- (a) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days (an “Order”) that was issued while the director or officer was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted

from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

To the knowledge of the directors and executive officers of the Corporation, except as set forth below, no director or officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially its control, is, as at the date hereof, or has been, within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company, that,

- (a) while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his, her or its assets.

Mr. David J. Kassie was chairman and a director of SkyPower Corporation (now Interwind Corp.) (“SkyPower”) when, on August 12, 2009, the Ontario Superior Court of Justice (Commercial List) issued an order under the Companies’ Creditors Arrangement Act (Canada) in respect of SkyPower. On August 19, 2009, SkyPower filed for Chapter 15 protection with the U.S. Bankruptcy Court for the District of Delaware in connection with the reorganization in the United States. The realizations in the estate of SkyPower remain ongoing, and any shortfall to the creditors remains unknown at this time.

Mr. Kassie was also a director of ACE Aviation Holdings Inc. (“ACE”) whose shareholders passed a special resolution on April 25, 2012 approving the voluntary liquidation of ACE. Pursuant to an order issued by the Superior Court of Québec (Commercial Division) on June 28, 2012, Ernst & Young Inc. (the “Liquidator”) was appointed as liquidator of ACE effective as of June 28, 2012. All of the directors and officers of ACE resigned from their positions and the Liquidator was vested with the powers of the directors and officers of ACE effective as of June 28, 2012. By means of a press release dated June 1, 2016, ACE announced a court-approved distribution of \$12 million. ACE expected that the distribution of the remaining \$7 million of assets would occur during the 12 month period following the press release date. However, according to a press release issued on April 28, 2017, the liquidation process is ongoing as ACE indicated that it still had remaining assets consisting of cash in an aggregate amount of approximately \$6.7 million. ACE has indicated that it is completing the remaining corporate, administrative and tax processes to facilitate its dissolution and the final distribution of the remaining cash of ACE prior to its dissolution. ACE has also indicated that the final distribution to shareholders, the cancellation of the shares of ACE and the dissolution of ACE will not occur until all necessary corporate, administrative and tax measures to dissolve ACE are completed and until the settlement of any remaining contingencies that may arise in connection with the remaining liquidation and dissolution steps of ACE. There is no certainty as to the timing or amount of such final distribution and dissolution or whether it has already occurred.

AUDIT COMMITTEE AND ACCOUNTANT'S FEES AND SERVICES

The Charter of the Audit Committee is attached hereto as Schedule A.

The mandate of the Audit Committee includes assisting the Board of Directors of the Corporation oversight by (i) monitoring the integrity of the Corporation's financial statements, (ii) reviewing the Corporation's compliance with certain legal and regulatory requirements; (iii) evaluating the external auditor's qualifications and independence; and (iv) monitoring the performance of the external auditors.

(a) Composition of the Audit Committee

The Audit Committee is currently composed of Bruce J. Guerriero, CPA, CA (Chair), David J. Kassie, and Howard Stotland, each of whom is (i) independent and (ii) financially literate, each within the meaning of National Instrument 52-110 – *Audit Committees*.

(b) Relevant Education and Experience

The following is a description of the education and experience of each member of the Audit Committee that is relevant to the performance of his responsibilities as a member of the Committee.

BRUCE J. GUERRIERO graduated from Concordia University in 1976 with a Bachelor of Commerce (Honours with Distinction) degree. He received a Diploma in Public Accountancy from McGill University and in 1978 obtained his designation as a Chartered Professional Accountant. Before retiring in September 2014, he was a senior audit partner of KPMG LLP and served as the lead audit engagement partner for public companies in different industry segments including consumer markets and retail. He served on KPMG Canada's Partnership Board from 2003 to 2010. Since 2015, he has been a corporate director and business advisor. He served on the Board of Directors of DAVIDsTEA Inc. as Chair of the Audit Committee until June 9, 2016. He is certified by the Institute of Corporate Directors.

DAVID J. KASSIE graduated from McGill University in 1977 with a Bachelor of Commerce degree. He received a Master of Business Administration from the University of Western Ontario in 1979 with Honours in Economics. Prior to 2004, Mr. Kassie was Chairman and Chief Executive Officer of CIBC World Markets Inc. and the Vice Chairman of the CIBC. Mr. Kassie was Principal, Chairman and Chief Executive Officer of Genuity Capital Markets ("Genuity") from November 2004 to May 2010 at which time Genuity was acquired by Canaccord Genuity Financial. Mr. Kassie is currently Executive Chairman of Canaccord Genuity Group Inc. Mr. Kassie has extensive experience as an advisor, underwriter and principal. He sits on a number of corporate boards.

HOWARD STOTLAND graduated from McGill University in 1966 with a degree in Civil Engineering. He received a master's degree in engineering from the Massachusetts Institute of Technology in 1968. From 1972 to 2002, he was the Chief Executive Officer of STS Systems, a manufacturer of retail technology systems. From 2002 to the present, he has served as a business consultant.

Messrs. Guerriero, Kassie and Stotland all have the ability to read and understand financial statements that present a breadth and complexity of accounting issues comparable to the breadth and complexity of the issues raised by the Corporation's own financial statements, understand the accounting principles the Corporation uses to prepare its financial statements and have the ability to

assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves.

All members of the Audit Committee have an understanding of internal controls and procedures for financial reporting.

(c) Pre-Approval Policies and Procedures

The Audit Committee pre-approves every engagement by KPMG LLP (“KPMG”) to render audit or non-audit services. All of the services described below were approved by the Audit Committee.

(d) External Auditor Services Fees

KPMG, the Corporation’s external auditors, provided services and billed the Corporation the following fees in each of Fiscal 2019 and Fiscal 2018:

Audit Fees

The following sets forth the aggregate fees billed by KPMG for the audit of the annual financial statements, quarterly review of the Corporation’s financial statements and for services normally provided by the external auditor, such as services in connection with statutory and regulatory filings.

Fiscal 2019	\$360,000
Fiscal 2018	\$352,750

Audit Related Fees

The following sets forth the aggregate fees billed for assurance and related services by KPMG that are reasonably related to the performance of the audit or review of the financial statements and are not reported under “Audit Fees”, such as consultations related to accounting and reporting matters and translation services related to annual and interim financial statements:

Fiscal 2019	\$160,630
Fiscal 2018	\$85,780

Non-Audit and Tax Fees

The following sets forth the aggregate fees billed in each of the last two fiscal periods for professional services rendered by KPMG for tax compliance, tax advice and consultation on sales taxes, tax planning and other general matters:

Fiscal 2019	\$175,211
Fiscal 2018	\$97,500

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Currently, there are no outstanding material legal proceedings to which the Corporation is a party or of which any of its properties is the subject matter, and the Corporation's directors and officers are not aware of any material threatened or contemplated proceedings against the Corporation. In addition, during Fiscal 2019, the Corporation was not subject to any: (a) penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority; (b) other penalties or sanctions imposed by a court or regulatory body that would likely be considered important by a reasonable investor in making an investment decision; or (c) settlement agreements relating to securities legislation or with a securities regulatory authority.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as set forth herein, no directors or officers of the Corporation, persons that beneficially own, or control or direct, directly or indirectly, more than 10% of any class or series of the outstanding voting securities of the Corporation or associates or affiliates of any such person has any material interest, direct or indirect, in any transaction within Fiscal 2017, Fiscal 2018 or Fiscal 2019 or during the fiscal year ending February 1, 2020, which has materially affected or is reasonably expected to materially affect the Corporation.

MATERIAL CONTRACTS

The Corporation has not entered into any contract that would constitute a material contract for purposes of this annual information form.

TRANSFER AGENT AND REGISTRAR

Computershare Investor Services Inc. is the transfer agent and registrar for the Corporation's common shares and Class A non-voting shares. The registers of transfers of each class of securities are located at its principal offices in Montreal, Québec, and Toronto, Ontario.

INTEREST OF EXPERTS

KPMG has audited the Corporation's consolidated financial statements for the year ended February 2, 2019. The Corporation is advised that, as of the date hereof, the members of KPMG are independent in accordance with the Code of Ethics of the *Ordre des comptables professionnels agréés du Québec*.

ADDITIONAL INFORMATION

Additional information relating to the Corporation may be found under the Corporation's profile on SEDAR at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Corporation's management proxy circular for its most recent annual meeting of security holders that involved the election of directors.

Additional financial information is provided in the Corporation's financial statements and management discussion and analysis for its most recently completed financial year.

Additional information relating to the following may also be found on the Corporation's Corporate website www.reitmanscanadalimited.com:

- (i) the Articles of Amalgamation of the Corporation (1998);
- (ii) the Articles of Amendment of the Corporation (2002);
- (iii) the General By-laws 100-1 of the Corporation;
- (iv) the Charter of the Audit Committee;
- (v) the Charter of the Governance Committee;
- (vi) the Charter of the Human Resources and Compensation Committee;
- (vii) the Majority Voting Policy;
- (viii) the Mandate of the Board of Directors;
- (ix) the Written Position Description of the Lead Director; and
- (x) the Written Position Description of the Chairman of the Board of Directors.

SCHEDULE A

REITMANS (CANADA) LIMITED

AUDIT COMMITTEE CHARTER

1. THE COMMITTEE

1.1 Audit Committee of the Board – The audit committee of the Board shall have the purpose, constitution and responsibilities set forth herein.

1.2 Certain Definitions – In this Charter:

- (a) “**Board**” means the board of directors of the Corporation;
- (b) “**Chair**” means the chairperson of the Committee;
- (c) “**Charter**” means this written charter of the Committee;
- (d) “**Committee**” means the audit committee of the Board;
- (e) “**Corporation**” means Reitmans (Canada) Limited;
- (f) “**Director**” means a member of the Board who is duly elected or appointed;
- (g) “**External Auditor**” means the Corporation’s independent auditor; and
- (h) “**MD&A**” means Management’s Discussion & Analysis as contemplated in National Instrument 51-102 – *Continuous Disclosure Obligations*, as same may be amended, supplemented or replaced from time to time.

1.3 Interpretation – The provisions of this Charter are subject to the provisions of the by-laws of the Corporation and to the applicable provisions of applicable legislation and regulation.

2. PURPOSE

2.1 Purpose – The primary purpose of the Committee is to assist Board oversight by:

- (a) monitoring the integrity of the Corporation’s financial statements, MD&As and annual and interim profit or loss press releases;
- (b) reviewing the Corporation’s compliance with certain legal and regulatory requirements;
- (c) evaluating the External Auditor’s qualifications and independence; and
- (d) monitoring the performance of the External Auditor.

Nothing contained in this Charter is intended to transfer to the Committee the Board’s responsibility to ensure the Corporation’s compliance with applicable laws or regulations or to expand the applicable standards of liability under statutory or regulatory requirements for the Directors or the members of the Committee. Notwithstanding the specific mandate of the Committee and the fact its members may have financial experience, its members do not have the obligation to act as auditors or to perform auditing functions, or to determine that the Corporation’s financial statements are complete and accurate and are in accordance with International Financial Reporting Standards. Such matters are the responsibility of management and the External Auditor. Members of

the Committee are entitled to rely, absent knowledge to the contrary, on (i) the integrity of the persons and organizations from whom they receive information, (ii) the accuracy and completeness of the information provided, and (iii) representations made by management as to the non-audit services provided to the Corporation by the External Auditor. The Committee's oversight responsibilities are not established to provide an independent basis to determine that (i) management has maintained appropriate accounting and financial reporting principles or appropriate internal controls and procedures, or (ii) the Corporation's financial statements have been prepared and, if applicable, audited in accordance with International Financial Reporting Standards.

3. CONSTITUTION AND FUNCTIONING OF THE COMMITTEE

3.1 Number of Members – The Committee shall consist of not fewer than three members, each of whom shall be a Director.

3.2 Appointment and Removal of Members of the Committee –

- (a) *Board Appoints Members.* The members of the Committee shall be appointed by the Board, having considered the recommendation of the Governance Committee of the Board.
- (b) *Annual Appointments.* The appointment of members shall generally take place annually at the first meeting of the Board after the annual meeting of the shareholders at which Directors are elected, provided that if the appointment of members of the Committee is not so made, the Directors who are then serving as members of the Committee shall continue as members of the Committee until their successors are appointed.
- (c) *Vacancies.* The Board may appoint a member to fill a vacancy which occurs in the Committee between annual elections of Directors.
- (d) *Removal of Member.* Any member of the Committee may be removed from the Committee by a resolution of the Board.

3.3 Independence of Members – Each member of the Committee shall be independent or unrelated, as the case may be, for the purposes of all applicable regulatory and stock exchange requirements. For purposes of this Charter, “independence” shall have the meaning ascribed to such term in National Instrument 52-110 – *Audit Committees*, as same may be amended, supplemented or replaced from time to time.

3.4 Financial Literacy –

- (a) *Financial Literacy Requirement.* Each member of the Committee shall be financially literate or must become financially literate within a reasonable period of time after his or her appointment to the Committee.
- (b) *Definition of Financial Literacy.* “Financially literate” means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

4. COMMITTEE CHAIR

4.1 Board to Appoint Chair – The Board shall appoint the Chair from the members of the Committee (or, if it fails to do so, the members of the Committee shall appoint the Chair of the Committee from among its members).

4.2 Chair to be Appointed Annually – The designation of the Chair shall take place annually at the first meeting of the Board after the annual meeting of the shareholders of the Corporation at which Directors are elected, provided that if the designation of Chair is not so made, the Director who is then serving as Chair shall continue as Chair until his or her successor is appointed.

4.3 Chair to be Appointed From to Time – The Board may appoint a new Chair to fill a vacancy which may occur between annual elections of Directors.

4.4 Removal of Chair – The Chair may be removed by a resolution of the Board.

5. COMMITTEE MEETINGS

5.1 Quorum – A quorum of the Committee shall be a majority of its members.

5.2 Secretary – Subject to the by-laws of the Corporation, the Chair shall designate from time to time a person who may, but need not, be a member of the Committee, to be Secretary of the Committee.

5.3 Time and Place of Meetings – The time and place of the meetings of the Committee shall and the calling of meetings and the procedure in all things at such meetings shall be determined by the Committee; *provided*, however, that (i) as the context generally permits, the meetings shall take place contemporaneously with the Board meetings; (ii) the Committee shall meet as frequently as the Chair of the Committee deems appropriate; and (iii) the Committee shall meet at least quarterly.

5.4 In Camera Meetings – As part of each meeting of the Committee at which the Committee recommends that the Board approves the annual audited financial statements or at which the Committee approves the interim financial statements, the Committee shall meet separately with each of:

- (a) management of the Corporation;
- (b) the Director of Compliance; and
- (c) the External Auditor.

5.5 Right to Vote – Each member of the Committee shall have the right to vote on matters that come before the Committee.

5.6 Invitees – The Committee may invite Directors, officers and employees of the Corporation or any other person to attend meetings of the Committee to assist in the discussion and examination of the matters under consideration by the Committee.

6. AUTHORITY OF COMMITTEE

6.1 Retaining and Compensating Advisors – The Committee shall have the authority to engage independent counsel and other advisors as the Committee may deem appropriate in its sole discretion and to set and to have the Corporation pay the compensation for any such advisors. The Committee shall not be required to obtain the approval of the Board in order to retain or compensate such counsel or advisors.

6.2 Recommendations to the Board – The Committee shall have the authority to make recommendations to the Board, but shall have no decision-making authority other than as specifically contemplated in this Charter.

6.3 Free, Direct and Open Communication – The Committee has the authority to maintain free, direct and open communication with the Corporation’s officers, employees, the Director of Compliance, the External Auditor and outside counsel at all times.

7. REMUNERATION OF COMMITTEE MEMBERS

7.1 Remuneration of Committee Members – Members of the Committee and the Chair shall receive such remuneration for their service on the Committee as the Board may determine from time to time.

7.2 Directors’ Fees – No member of the Committee may earn fees from the Corporation or any of its subsidiaries other than directors’ fees (which fees may include cash and/or shares or options or other in-kind consideration ordinarily available to directors, as well as all of the regular benefits that other directors receive). For greater certainty, no member of the Committee shall accept, directly or indirectly, any consulting, advisory or other compensatory fee from the Corporation.

8. DUTIES AND RESPONSIBILITIES OF THE COMMITTEE

8.1 Review and Approval of Financial Information –

- (a) *Annual Financial Statements.* The Committee shall review and discuss with management and the External Auditor, including their annual audit findings report, the Corporation’s audited annual financial statements and related MD&As and earnings press releases, and, if appropriate, recommend to the Board that it approve the audited annual financial statements, the MD&As and earnings press releases, prior to their release, filing and distribution.
- (b) *Interim Financial Statements.* The Committee shall review and discuss with management and the External Auditor, including a review of their interim review findings report, and, if appropriate, recommend to the Board that it approve the Corporation’s interim unaudited financial statements and related MD&A and the earnings press release, prior to their release, filing and distribution.
- (c) *Disclosure Controls.* The Committee shall receive periodically management’s report assessing the adequacy and effectiveness of the Corporation’s disclosure controls and procedures.
- (d) *Internal Controls over Financial Reporting.* The Committee shall receive periodically management’s report assessing the adequacy and effectiveness of the Corporation’s systems of internal control over financial reporting.
- (e) *Material Public Financial Disclosure.* The Committee shall, to the extent practicable, discuss with management and where appropriate the External Auditor:
 - (i) the financial information contained in prospectuses, offering memoranda, annual information forms, management proxy circulars and any other document required to be disclosed or filed with the regulatory authorities;

- (ii) the type, presentation, controls and processes relating to financial information to be included in profit or loss press releases and other documents required to be filed with regulatory authorities; and
 - (iii) financial information and earnings guidance (if any) provided to analysts and rating agencies.
- (f) *Procedures for Review.* The Committee shall monitor that adequate procedures are in place for the review of the Corporation's disclosure of financial information extracted or derived from the Corporation's financial statements (other than financial statements, MD&A and profit or loss press releases, which are dealt with elsewhere in this Charter) and shall periodically assess the adequacy of those procedures through discussions with management of the Corporation and the External Auditor.
- (g) *Accounting Treatment.* The Committee shall review and discuss with management and the External Auditor:
 - (i) the quality, appropriateness and disclosure regarding accounting principles and financial statement presentations, including any significant changes in the Corporation's selection or application of accounting principles and major issues as to the adequacy of the Corporation's internal controls and any special audit steps adopted in light of material control deficiencies;
 - (ii) analyses prepared by management and/or the External Auditor setting forth significant financial reporting issues, including the method used to account for significant unusual transactions or events and the disclosures related thereto, critical accounting estimates and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative acceptable accounting policy choices and the disclosure of sensitive matters such as related party transactions on the financial statements;
 - (iii) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures on the Corporation's financial statements;
 - (iv) the potential impact of any litigation, claim or other contingency and any regulatory or accounting initiatives that could have a material effect upon the financial position or operating results of the Corporation and the appropriateness of the disclosure thereof in the documents reviewed by the Committee; and
 - (v) the management certifications of the financial statements as required under applicable securities laws in Canada or otherwise and the procedures undertaken to ensure the certifications are accurate.
- (h) *Insurance Coverage.* The Committee shall review insurance coverage annually and as may otherwise be appropriate. Matters relating to Directors and officers insurance coverage shall be reviewed by the Board.

8.2 External Auditor

- (a) *Authority with Respect to External Auditor.* The Committee shall be directly responsible for the oversight of the work of the External Auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or

attest services for the Corporation. In the discharge of this responsibility, the Committee shall:

- (i) have responsibility for recommending to the Board the firm to be proposed to the Corporation's shareholders for appointment as External Auditor for the above-described purposes as well as the responsibility for recommending such External Auditor's compensation and determining at any time whether the Board should recommend to the Corporation's shareholders whether the incumbent External Auditor should be removed from office;
 - (ii) oversee the rotation of lead, concurring and other external audit partners, to the extent required by the securities regulations;
 - (iii) review at least annually, representations by the External Auditor describing their internal quality-control procedures, as well as significant results arising from regulatory and professional quality-control procedures;
 - (iv) review with the External Auditor and management of the Corporation the audit plan, including scope and approach, of the External Auditor for the current year;
 - (v) review with the External Auditor and management, the quality, appropriateness and disclosure of the Corporation's accounting principles and policies, underlying assumptions and reporting practices, and any proposed changes thereto;
 - (vi) review the terms of the External Auditor's engagement, discuss the audit fees with the External Auditor and be responsible for approving such audit fees; and
 - (vii) require the External Auditor to confirm in its engagement letter each year that the External Auditor is accountable to the Board and the Committee as representatives of shareholders.
- (b) *Independence.* The Committee shall satisfy itself as to the independence of the External Auditor. As part of this process the Committee shall:
- (i) unless and until the Committee adopts pre-approval policies and procedures and subject to subsection 8.2(d)(ii), approve any non-audit services to be provided by the External Auditor;
 - (ii) review and approve the policy setting out the restrictions on the Corporation hiring partners, employees and former partners and employees of the Corporation's current or former External Auditor; and
 - (iii) obtain annually from the External Auditor a letter confirming their independence with respect to the Corporation and its employees within the meaning of the Code of Ethics of the *Ordre des comptables professionnels agréés du Québec*.
- (c) *Issues between External Auditor and Management.* The Committee shall:
- (i) review any problems or concerns experienced by the External Auditor in conducting the audit, including any restrictions on the scope of the External Auditor's activities or an access to requested information;

- (ii) review any significant disagreements with management and, to the extent possible, resolve any disagreements between management and the External Auditor; and
 - (iii) review with the External Auditor:
 - (A) any accounting adjustments that were proposed by the External Auditor, but were not made by management;
 - (B) any communications between the audit team and audit firm's national office respecting auditing or accounting issues presented by the engagement; and
 - (C) any management or internal control letter issued, or proposed to be issued by the External Auditor to the Corporation and management's response and/or action plan related to any significant recommendations contained therein.
- (d) *Non-Audit Services.*
 - (i) The Committee shall either:
 - (A) approve in advance any non-audit services to be provided by the External Auditor or the external auditor of any subsidiary of the Corporation; or
 - (B) adopt specific policies and procedures for the engagement of non-audit services, provided that such pre-approval policies and procedures are detailed as to the particular service, the audit committee is informed of each non-audit service and the procedures do not include delegation of the Committee's responsibilities to management.
 - (ii) The Committee may delegate to one or more members of the Committee the authority to pre-approve non-audit services in satisfaction of the requirement in the previous section, provided that such member or members must present any non-audit services so approved to the full Committee at its first scheduled meeting following such pre-approval.
 - (iii) The Committee shall instruct management to promptly bring to its attention any services performed by the External Auditor which were not recognized by the Corporation at the time of the engagement as being non-audit services.
- (e) *Evaluation of External Auditor.* The Committee shall evaluate the External Auditor each year, and present its conclusions to the Board. In connection with this evaluation, the Committee shall:
 - (i) review and evaluate the performance of the External Auditor;
 - (ii) obtain the opinions of management with respect to the performance of the External Auditor; and
 - (iii) discuss with the External Auditor any area noted through the evaluation process where improvements can be made.

8.3 Compliance Group – The Committee shall:

- (a) ensure that the Head of the Compliance Group has a functional reporting relationship with the Committee;
- (b) oversee the access by the Compliance Group to all levels of management in order to carry out its duties;
- (c) regularly monitor the performance of the Compliance Group;
- (d) approve the appointment and termination of the Head of the Compliance Group; and
- (e) ensure the ongoing accountability of the Director of Compliance to the Committee and to the Board.

8.4 Whistle Blowing – The Committee shall put in place procedures for:

- (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and
- (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

8.5 Special Outside Advisors – The Committee shall consider and, if determined to be appropriate, approve requests from Directors or committees of the Board for the engagement of special outside advisors from time to time (in addition to any right that a Director or committee of the Board may have to engage outside advisors under general corporate law).

9. SUBCOMMITTEES

9.1 Delegation to Subcommittees – The Committee may form and delegate authority to subcommittees if deemed appropriate by the Committee.

10. REPORTING TO THE BOARD

10.1 Regular Reporting – The Committee shall report to the Board following each meeting of the Committee and at such other times as the Chair may determine to be appropriate.

11. PERFORMANCE EVALUATION

11.1 Performance Evaluation – The Committee shall follow the process established by the Governance Committee for all committees of the Board for assessing the performance and effectiveness of the Committee.

12. CHARTER REVIEW

12.1 Charter Review – The Committee shall review and assess the adequacy of this Charter on a regular basis and recommend to the Board any changes it deems appropriate.

13. OTHER RESPONSIBILITIES

13.1 The Committee shall perform such other duties as may be required by law or requested by the Board or deemed appropriate by the Committee. The Committee shall discharge its responsibilities, and shall assess the information provided to the Committee, in accordance with its business judgment. The Committee shall have the authority to conduct or authorize investigations into any matters within the scope of its responsibilities as it shall deem appropriate.

13.2 The Committee shall review the adequacy of the Corporation's financing, including terms and conditions of all new material financing arrangements and compliance with the terms thereof.