

# ARITZIA

**ARITZIA INC.**

**ANNUAL INFORMATION FORM**

Fiscal year ended March 1, 2020

**May 28, 2020**

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# ARITZIA INC.

## ANNUAL INFORMATION FORM

### INTRODUCTORY INFORMATION / CERTAIN REFERENCES

Unless otherwise noted or the context otherwise indicates, the “Company”, “Aritzia”, “us”, “we” or “our” refer to Aritzia Inc. and its direct and indirect subsidiaries and predecessors or other entities controlled by it or them. Certain terms used in this Annual Information Form are defined under “Glossary”.

Unless otherwise specified or the context otherwise requires, all information provided in this Annual Information Form (the “**Annual Information Form**”) is given as at March 1, 2020. All references to “\$” or “dollars” are to Canadian dollars and references to “U.S.\$” or “U.S. dollars” are to United States dollars. Amounts are stated in Canadian dollars unless otherwise indicated. Certain totals, subtotals and percentages throughout this Annual Information Form may not reconcile due to rounding.

This Annual Information Form contains certain trademarks, such as *Aritzia*, *Wilfred*, *Babaton*, *TNA*, and *Community*, which are protected under applicable intellectual property laws and are our property. Solely for convenience, our trademarks and trade names referred to in this Annual Information Form may appear without the ® or ™ symbol, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights to these trademarks and trade names.

### GLOSSARY

Certain terms used in this Annual Information Form have the following meanings:

“**Affiliate**” means, with respect to any specified Person, any other Person which directly or indirectly through one or more intermediaries controls, is controlled by, or is under common control with such specified Person.

“**Berkshire**” means CanLux AB Investments One S.à r.l., an investment vehicle managed by Berkshire Partners.

“**Berkshire Partners**” means Berkshire Partners LLC.

“**Fiscal 2017**” refers to the 52-week period ended February 26, 2017.

“**Fiscal 2018**” refers to the 52-week period ended February 25, 2018.

“**Fiscal 2019**” refers to the 53-week period ended March 3, 2019.

“**Fiscal 2020**” refers to the 52-week period ended March 1, 2020.

“**Fiscal 2021**” refers to the 52-week period ending February 28, 2021

“**Hill Shareholders**” means Atilier Holdings Inc. and AHI Holdings Inc., each of which is an entity controlled by Brian Hill, our Founder and Chief Executive Officer.

“**Multiple Voting Shares**” means multiple voting shares of Aritzia.

“**Person**” means any individual, partnership, corporation, company, association, trust, joint venture or limited liability company.

A Person is “**controlled**” by another Person or other Persons if: (i) in the case of a company or other body corporate wherever or however incorporated: (A) securities entitled to vote in the election of directors carrying in the aggregate at least a majority of the votes for the election of directors and representing in the aggregate at least a majority of the participating (equity) securities are held, other than by way of security only, directly or indirectly, by or solely for the benefit of the other Person or Persons; and (B) the votes carried in the aggregate by such securities are entitled, if exercised, to elect a majority of the board of directors of such company or other body corporate; or (ii) in the case of a Person that is not a company or other body corporate, at least a majority of the participating (equity) and voting interests of such Person are held, directly or indirectly, by or solely for the benefit of the other Person or Persons; and “**controls**”, “**controlling**” and “**under common control with**” shall be interpreted accordingly.

“**SEDAR**” means the System for Electronic Document Analysis and Retrieval at [www.sedar.com](http://www.sedar.com).

“**Shares**” means the Subordinate Voting Shares and the Multiple Voting Shares.

“**Shareholders**” means holders of Subordinate Voting Shares and Multiple Voting Shares.

“**Subordinate Voting Shares**” means subordinate voting shares of Aritzia.

“**Tax Act**” means the *Income Tax Act* (Canada).

## **NON-IFRS MEASURES INCLUDING RETAIL INDUSTRY METRICS**

In addition to using financial measures prescribed under International Financial Reporting Standards (“**IFRS**”), this Annual Information Form makes reference to certain non-IFRS measures including certain retail industry metrics. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management’s perspective. Accordingly, these measures should not be considered in isolation or as a substitute for analysis of our financial information reported under IFRS. We use non-IFRS measures including “EBITDA”, “Adjusted EBITDA”, “Adjusted Net Income”, “Adjusted Net Income per diluted share”, and “gross profit margin”. To improve the comparability of underlying performance with periods prior to our adoption of IFRS 16, Adjusted EBITDA for Q4 2020 and Fiscal 2020 has been adjusted to exclude, in addition to other adjustments, the impact of IFRS 16. This Annual Information Form also makes reference to “Comparable Sales Growth” which is a commonly used operating metric in the retail industry but may be calculated differently compared to other retailers. Our Comparable Sales Growth calculation excludes the impact of foreign currency fluctuations.

These non-IFRS measures, including retail industry metrics, are used to provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures. We believe that securities analysts, investors and other interested parties frequently use non-IFRS measures, including retail industry metrics, in the evaluation of issuers. Our management also uses non-IFRS measures, including retail industry metrics, in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of management compensation. For definitions and reconciliations of these non-IFRS measures to the relevant reported measures, please see the “Non-IFRS Measures Including Retail Industry Metrics”, “How We Assess the Performance of Our Business” and “Selected Consolidated Financial Information” sections of the Company’s Management’s Discussion and Analysis (“**MD&A**”) dated May 28, 2020 for the fiscal year ended March 1, 2020. A copy of the MD&A can be accessed under the Company’s profile on SEDAR at [www.sedar.com](http://www.sedar.com).

“**Adjusted EBITDA**” is defined as consolidated net income before depreciation and amortization, finance expense and income tax expense, adjusted for the impact of certain items, including non-cash items such

as stock-based compensation expense, unrealized gains or losses on equity derivatives and forward contracts and other items we consider non-recurring and not representative of our ongoing operating performance. Because Adjusted EBITDA excludes certain non-cash items, we believe that it is less susceptible to variances in actual performance resulting from depreciation and amortization and other non-cash charges.

**“Adjusted Net Income”** is defined as consolidated net income, adjusted for the impact of certain items, including non-cash items such as stock-based compensation expense, unrealized gains or losses on equity derivatives and forward contracts and other items we consider non-recurring and not representative of our ongoing operating performance, net of related tax effects. **“Adjusted Net Income per diluted share”** is defined by dividing Adjusted Net Income by the weighted average number of diluted shares outstanding.

**“Comparable Sales Growth”** is a retail industry metric used to compare the percentage change in sales derived from established boutiques of a certain period as compared to the sales from the same boutiques in the same period in the prior year. Comparable sales growth helps to explain our revenue growth in established boutiques and eCommerce. Comparable sales is calculated based on revenue (net of sales tax, returns and discounts) from boutiques that have been opened for at least 56 weeks including eCommerce revenue (net of sales tax, returns and discounts), and excludes boutiques that were expanded or repositioned, boutiques in centres where we opened a new additional boutique and boutiques significantly impacted by nearby construction and other similar disruptions during this period and week 53 net revenue, if applicable. Our comparable sales growth calculation excludes the impact of foreign currency fluctuations. We apply the prior year’s average quarterly exchange rate to both current year and prior year comparable sales to achieve a consistent basis for comparison (i.e. on a constant currency basis).

**“EBITDA”** is defined as consolidated net income before depreciation and amortization, finance expense and income tax expense.

**“Gross Profit”** is defined as our net revenue less cost of goods sold. Cost of goods sold includes inventory and product-related costs, variable lease payments and other occupancy-related expenses, as well as depreciation expense for our boutique and distribution centre assets. Our cost of goods sold may include different costs compared to other retailers. Gross profit margin is impacted by the components of cost of goods sold, product mix and markdowns. We define **“gross profit margin”** as our gross profit divided by our net revenue

**“Net Revenue”** is defined as our sale of merchandise, less returns and discounts. Retail revenue at point-of-sale is measured at the fair value of the consideration received at the time the sale is made to the customer, net of discounts and estimated allowance for returns. For merchandise that is ordered and paid in a boutique and subsequently picked up by or delivered to the customer, revenue is deferred until control of the merchandise has been transferred to the customer. eCommerce revenue is recognized at the date control has been transferred to the customer, and measured at the fair value of consideration received, net of discounts and an estimated allowance for returns. Revenues are reported net of sales taxes collected for various governmental agencies.

**“Selling, General and Administrative (“SG&A”) Expenses”** consists of selling expenses that are generally variable with net revenue and general and administrative operating expenses that are primarily fixed. Our SG&A expenses also include depreciation and amortization expenses for all support office assets and intangible assets. Our SG&A expenses may include different expenses compared to other retailers.

## FORWARD-LOOKING INFORMATION

This Annual Information Form contains “forward-looking information” within the meaning of applicable securities laws in Canada. Forward-looking information may relate to our future financial outlook and anticipated events or results and may include information regarding our financial position, business strategy, growth strategies, budgets, operations, financial results, taxes, dividend policy, plans and objectives. Particularly, information regarding our expectations of future results, performance,

achievements, prospects or opportunities or the markets in which we operate is forward-looking information. In some cases, forward-looking information can be identified by the use of forward-looking terminology such as “plans”, “targets”, “expects” or “does not expect”, “is expected”, “an opportunity exists”, “budget”, “scheduled”, “estimates”, “outlook”, “forecasts”, “projection”, “prospects”, “strategy”, “intends”, “anticipates”, “does not anticipate”, “believes”, or variations of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might”, “will”, “will be taken”, “occur” or “be achieved”. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management’s expectations, estimates and projections regarding future events or circumstances.

Discussions containing forward-looking information may be found, among other places, under “Development of the Business”, “The Business of Aritzia”, “Our Industry”, “Dividend Policy”, “Directors and Officers”, and “Risk Factors”.

This forward-looking information includes, among other things, statements relating to:

- the impact of the COVID-19 pandemic (“**COVID-19**”) and its impacts on the global economy in general and on our business in particular, including on our ability to resume our business operations to prior levels;
- expectations regarding our ability to mitigate business disruptions, including our sourcing and production activities and efforts to diversify our global supply chain;
- expectations regarding industry trends, overall market growth rates and our growth rates and growth strategies;
- expectations regarding our capital expenditures, operations and use of future cash flow, our financial position, financial results, business plans and strategies;
- expectations regarding the development of our digital infrastructure, eCommerce growth, omni-channel capabilities and use of influencers;
- expectations regarding our sourcing initiatives;
- expectations regarding boutique re-openings, new boutique openings, growth of our boutique network and the expansion and repositioning of existing boutiques;
- expectations regarding increased efficiencies from our product lifecycle management system, our planned multi-year initiative to elevate our client experience (our “**Customer Program**”), new or expanded distribution centres and point-of-sale system updates;
- our ability to recruit exceptional talent;
- our belief that our business model will enable us to deliver consistent revenue and profitability growth and in turn, increase shareholder value over the long term;
- expectations regarding brand expansions;
- expectations regarding North American and international net revenue;
- expectations regarding future director and executive compensation levels and plans;
- our competitive position in our industry;
- the market price for the Subordinate Voting Shares;
- beliefs and intentions regarding the ownership of material trademarks and domain names used in connection with the design, production, marketing, distribution and sale of our products; and
- intentions with respect to the implementation of new accounting standards.

This forward-looking information and other forward-looking information is based on our opinions, estimates and assumptions in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we currently believe are appropriate and reasonable in the circumstances. Despite a careful process to prepare and review the forward-looking information, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. Certain assumptions in respect of our ability to drive ongoing development and innovation of our exclusive brands and product categories; potential expansion and enhancement of our boutique network; the growth and optimization of our eCommerce business and shipping to international markets; our ability to realize synergies between our boutique network and our eCommerce business; our ability to drive Comparable Sales Growth; our ability to maintain, enhance, and grow our appeal within our addressable market; our ability to continue directly sourcing from third-party mills, trim suppliers and manufacturers for our exclusive brands; our ability to build our international presence; our ability to successfully integrate new client-driven initiatives such as our Customer Program; our ability to attract and retain key personnel; our ability to maintain and potentially expand distribution capabilities; our ability to invest in infrastructure to support growth; our ability to obtain and maintain existing financing on acceptable terms; currency exchange and interest rates; the impact of competition; the changes and trends in our industry or the global economy, particularly in light of COVID-19; and the changes in laws, rules, regulations, and global standards are material factors made in preparing forward-looking information and management's expectations.

Given the impacts of COVID-19 and resulting ongoing uncertainty, there can be no assurances regarding: (a) the length of time Aritzia's retail boutique locations will be temporarily closed and the timing of boutique re-openings; (b) the COVID-19 related impacts on Aritzia's business, operations and performance, (c) Aritzia's ability to mitigate such impacts; (d) credit, market, currency, operational, and liquidity risks generally; and (e) other risks inherent to Aritzia's business and/or factors beyond its control which could have a material adverse effect on the Company (see "Development of the Business – Recent Developments – COVID-19").

Forward-looking information is necessarily based on a number of opinions, estimates and assumptions that we considered appropriate and reasonable as of the date such statements are made, are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to the following risk factors described in greater detail under the heading entitled "Risk Factors":

- changes in the general economic conditions and consumer spending in Canada, the United States and other parts of the world;
- inability to optimize merchandise and anticipate and respond to constantly changing consumer demands and fashion trends;
- inability to protect and enhance our brands;
- actions taken by our suppliers and manufacturers;
- fluctuations in the value of the Canadian dollar in relation to the U.S. dollar and other currencies and associated hedging risk;
- risks associated with the cash settlement of our deferred and restricted share units and an appreciating Subordinate Voting Share price;
- loss of members of our management team or other key personnel or an inability to attract new management team members or key personnel;
- inability to obtain merchandise on a timely basis at competitive costs;
- our highly competitive industry and the size and resources of some of our competitors;
- our need for significant capital to fund our expanding business;

- inability to manage our operations at our current size and successful execution of our growth strategies;
- risks associated with leasing boutique space;
- inability to successfully open and operate new boutiques, primarily in the United States;
- our limited operating experience and limited brand recognition outside North America;
- inability to successfully manage and grow our eCommerce business;
- material disruptions in or security breach affecting our information technology systems and eCommerce business;
- disruptions to the operations at our support office locations;
- replacement of core information technology systems;
- inability to attract and retain quality style advisors for our boutiques;
- union attempts to organize our employees;
- dependence on three distribution facilities;
- reliance on third-party transportation providers;
- increases in the cost of the raw materials or other inputs used in the production, manufacturing and transportation of our merchandise;
- seasonality of net revenue and inventory purchases;
- inability to grow net revenue or meet other financial targets;
- failure to reduce operating expenses in a timely manner;
- internal control over financial reporting;
- internal control over business operations;
- adverse impact on financial results from our equity compensation plans;
- failure to adequately connect with our client base, including through leveraging our influencer relationships;
- inability to protect trademarks or other intellectual property rights and the potential infringement of trademarks or other intellectual property rights of third parties;
- financing restrictions on current and future operations;
- failure to comply with laws and regulations, including fraud, cyber and data security, labour and employment, health and safety, consumer protection, human rights, privacy, advertising, environmental, customs, tax and other laws that regulate retailers;
- claims made against us, which may result in litigation;
- additional taxes, which could affect our operating results;
- risks related to forward-looking information contained in this Annual Information Form;
- changes in U.S. tax laws and regulations or trade rules;
- insurance-related risks;
- payment-related risks;
- anthropogenic hazards, including geo-political events, war, acts of terrorism, civil disorder, engineering hazards, power outages, or fires which could affect our supply chain, business continuity, and financial results;



- natural disasters, including earthquakes, extreme and/or unusual weather, wildfires, global health crises, disease outbreaks (including COVID-19), and other unexpected events which could affect our supply chain, business continuity, and financial results;
- operations and financial performance of our subsidiaries;
- inventory shrinkage;
- increases in the cost of employee benefits;
- insolvency risks associated with parties we do business with;
- changes in accounting standards and subjective assumptions, estimates and judgments by management related to complex accounting matters;
- risks associated with protestors and activists;
- the business impacts of climate change;
- reputational risk as a result of third-party supplier social and environmental performance;
- risks associated with supply chain transparency;
- the dual-class structure resulting in the concentration of voting control with certain Shareholders;
- risks associated with activist shareholders;
- volatility in the market price for Subordinate Voting Shares;
- future sales of our securities by existing Shareholders causing the market price for Subordinate Voting Shares to fall;
- no cash dividends for the foreseeable future;
- any issuance of preferred shares may hinder another person's ability to acquire us; and
- our trading price and volume declining if analysts publish inaccurate or unfavourable research about us or our business.

If any of these risks or uncertainties materialize, or if the opinions, estimates or assumptions underlying the forward-looking information prove incorrect, actual results or future events might vary materially from those anticipated in the forward-looking information. The opinions, estimates or assumptions referred to above and described in greater detail in "Risk Factors" should be considered carefully by readers.

Although we have attempted to identify important risk factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other risk factors not presently known to us or that we presently believe are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking information. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information, which speaks only as of the date made. The forward-looking information contained in this Annual Information Form represents our expectations as of the date of this Annual Information Form (or as the date they are otherwise stated to be made) and are subject to change after such date. However, we disclaim any intention or obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws in Canada.

**All of the forward-looking information contained in this Annual Information Form is expressly qualified by the foregoing cautionary statements.**

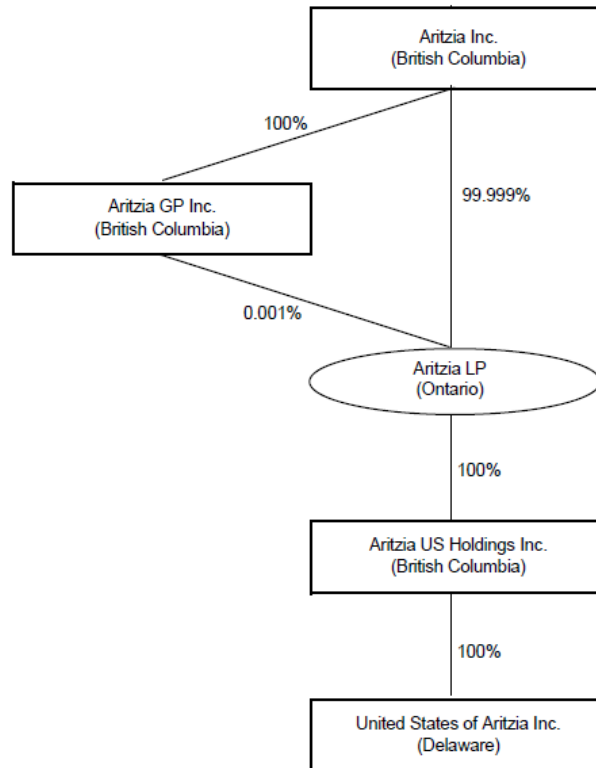
## CORPORATE STRUCTURE

### Incorporation and Head Office

Aritzia was formed on December 1, 2008 by an amalgamation under the *Business Corporations Act* (British Columbia) (the “**BCBCA**”) of 0840243 B.C. Ltd., Aritzia Capital Corporation and ARZ Investment GP Inc. On August 10, 2016, we changed our name to Aritzia Inc. Our head office is located at Suite 118 – 611 Alexander Street, Vancouver, British Columbia, Canada, V6A 1E1 and our registered and records office is located at Suite 1700 – 666 Burrard Street, Vancouver, British Columbia, Canada, V6C 2X8. Aritzia’s corporate website address is [www.aritzia.com](http://www.aritzia.com). The information contained on or accessible through [aritzia.com](http://aritzia.com) is not considered part of this Annual Information Form.

### Intercorporate Relationships

The following chart identifies the principal legal entities through which we conduct our business, their applicable governing corporate jurisdictions and the percentage of their voting securities which are beneficially owned, or controlled or directed, directly or indirectly by Aritzia:



## DEVELOPMENT OF THE BUSINESS

### Our History

Aritzia was established in 1984 by the Hill family and has been led since inception by our Founder and Chief Executive Officer Brian Hill, a third-generation retailer. Since the opening of our first boutique in the Oakridge Centre in Vancouver, we have created a disciplined operating culture which underpins our boutique formula for premium products, an elevated boutique experience, and exceptional client service. We have an operating philosophy and culture that instill a long-term approach to the planning and management of our business. This approach permeates every aspect of our business; guiding our decisions

and strategies while seeking to minimize operating risk. Every decision we make is evaluated through the lens of enhancing long-term shareholder value.

In 2005, private equity funds managed by Berkshire Partners purchased a majority stake in Aritzia with a shared vision to support our continued growth and expansion across North America.

In October 2016, we successfully completed our initial public offering of Subordinate Voting Shares (the “**IPO**”) through a secondary sale by the Hill Shareholders and Berkshire and its Affiliates for a total of \$460 million in aggregate gross proceeds to the selling shareholders. The Subordinate Voting Shares were listed for trading on the Toronto Stock Exchange (“**TSX**”) under the symbol “**ATZ**”. In January 2017, we completed a secondary offering on a bought deal basis of our Subordinate Voting Shares through a sale by certain shareholders, as well as a concurrent block trade by a group of employees of the Company, for a total of \$382 million in aggregate gross proceeds to the selling shareholders. In August 2018, we completed another secondary offering on a bought deal basis (the “**August 2018 Secondary Offering**”) of our Subordinate Voting Shares through a sale of shares by certain shareholders, for a total of \$100.1 million in gross proceeds to the selling shareholders.

In March 2019, we completed a secondary offering (the “**March 2019 Secondary Offering**”) on a bought deal basis of our Subordinate Voting Shares through a sale of shares by certain shareholders, for a total of \$329.6 million in gross proceeds to the selling shareholders. Concurrently, we completed a share repurchase of Subordinate Voting Shares and Multiple Voting Shares for cancellation (the “**Share Repurchase**”) from certain shareholders for an aggregate purchase price of \$107.0 million paid to the selling shareholders. As a result of the Share Repurchase and the March 2019 Secondary Offering, Berkshire and its Affiliates have no remaining equity interest in Aritzia.

### **Normal Course Issuer Bid**

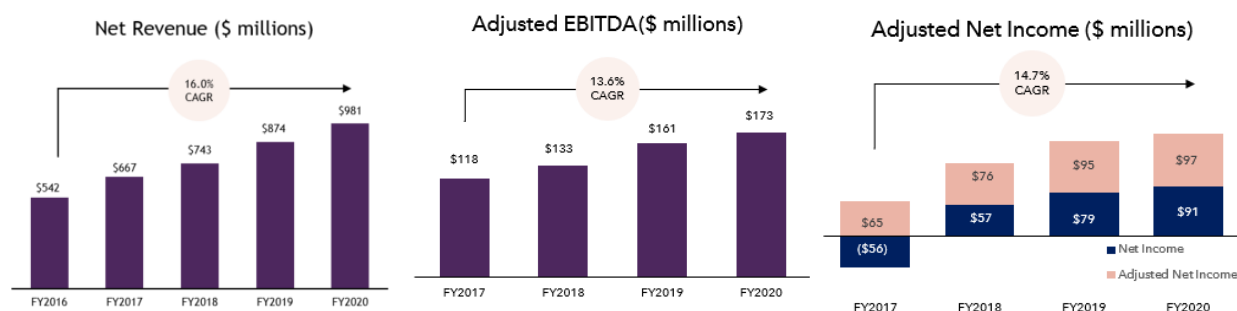
On July 11, 2019, we announced the commencement of a normal course issuer bid (“**NCIB**”) to purchase and cancel up to 3,624,915 Subordinate Voting Shares over the 12-month period commencing July 16, 2019 and ending July 15, 2020. All repurchases are made through the facilities of the TSX and are done at market prices. During Fiscal 2020, we repurchased 32,600 Subordinate Voting Shares for cancellation at an average price of \$15.97 per Subordinate Voting Share, for total cash consideration of \$0.5 million. During Fiscal 2019, we repurchased 549,880 Subordinate Voting Shares for cancellation at an average price of \$17.07 per Subordinate Voting Share, for total cash consideration of \$9.4 million.

On August 30, 2019, we entered into an automatic share purchase plan (“**ASPP**”) with a designated broker for the purpose of permitting us to purchase our Subordinate Voting Shares under the NCIB during self-imposed blackout periods. Such purchases are determined by the broker in its sole discretion based on parameters established by us. All purchases made under the ASPP will be included in computing the number of Subordinate Voting Shares purchased under the NCIB.

Subsequent to the period ended March 1, 2020, we repurchased 38,664 Subordinate Voting Shares for cancellation at an average price of \$13.51 per Subordinate Voting Share, for total cash consideration of \$0.5 million, under the terms of the ASPP. On March 17, 2020 out of an abundance of caution in light of COVID-19, we amended the ASPP under the NCIB such that the then authorized trading window ended March 17, 2020. We are further amending the ASPP such that no additional trading windows will be authorized, which effectively terminates any further purchases under the ASPP. In connection with this amendment, effective as of the date hereof, we made a representation to our Canadian broker administering the plan that we does not possess knowledge of any material fact or material change about the Company, its Subordinate Voting Shares or any of our other securities that has not been generally disclosed.

### **Proven Results**

Our unique business model and long-term management approach have contributed to strong and consistent financial performance through the company’s history. Aritzia has never permanently closed a boutique in our 35-year history, as boutiques consistently deliver strong returns on invested capital. Select financial highlights include the following:



### Comparable Sales (%)<sup>1</sup>

	Q1	Q2	Q3	Q4	Annual
FY2017	12.8%	16.4%	15.1%	12.3%	14.1%
FY2018	9.3%	5.4%	6.3%	6.0%	6.6%
FY2019	10.9%	11.5%	12.9%	5.5%	9.8%
FY2020	7.9%	8.4%	5.1%	8.9%	7.6%
<i>Stack (3-year)</i>	28.1%	25.3%	24.3%	20.4%	24.0%

<sup>1</sup> Our Comparable Sales Growth excludes the impact of foreign currency fluctuations by applying the prior year's average quarterly exchange rate to both current year and prior year comparable sales to achieve a consistent basis for comparison.

## Recent Developments – COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a worldwide pandemic. Since the outbreak of COVID-19, Aritzia's priorities have been the well-being of its people, clients and supporting the community while safeguarding the long-term financial strength of the business.

On March 16, 2020, the Company temporarily closed all of its 96 retail boutiques in Canada and the United States (the "**Temporary Closures**") and immediately focused its efforts on driving revenue through aritzia.com. Concurrently, Aritzia took swift action to enhance its short-term liquidity and protect its cash position. These measures included:

- **Drawing down \$100.0 million from the Revolving Credit Facility** to enhance its short-term liquidity;
- **Suspending share repurchases** under its NCIB;
- **Leveraging applicable government business support programs** for COVID-19;
- **Delaying capital expenditures** related to boutique construction;
- **Accelerating infrastructure investments** related to eCommerce and omni-channel projects;
- **Reducing and/or eliminating any outstanding Spring/Summer orders** to optimize inventory levels;
- **Driving cost reductions** by minimizing non-essential operating costs and ongoing negotiations with suppliers, vendors, and landlords for concessions;
- **Extending payment terms** where possible; and
- **Temporarily reducing compensation** for the senior leadership team by 25% and the forfeiture by the Board of Directors of the cash portion of their fees.

During the Temporary Closures period, Aritzia saw favourable response to its beautifully designed Spring/Summer product and strategic sales events through its eCommerce channel. eCommerce revenue growth since the Temporary Closures has been in excess of 150% compared to last year. Operating under stringent health and safety protocols and the support of nearly 575 retail and support office employees, the Company's Distribution Centres and Concierge teams effectively managed the surge in eCommerce volumes while maintaining delivery times to meet or exceed client's expectations. As of the date of this Annual Information Form, Aritzia has not laid off or furloughed any of its employees due to COVID-19. As of the date of this Annual Information Form, Aritzia has distributed approximately \$14 million out of its Aritzia Community™ Relief Fund to support the financial continuity of its employees. The Company will, however, pursue a right-sizing of its infrastructure once clarity on a new normal emerges.

On May 7, 2020, Aritzia began the phased re-opening of its retail boutiques. The Company has established a list of criteria to determine the timing of boutique re-openings, taking into consideration the guidance of local authorities, the re-opening status of shopping centres, and the readiness of the Company. As part of the re-opening plan, Aritzia has implemented extensive health and safety measures designed to protect its people and clients. As of the date of this Annual Information Form, Aritzia has re-opened 29 of its previously closed 96 boutiques, and is actively preparing for the re-opening of the remainder of its retail network as conditions permit. While initial results from the re-opening process are encouraging in light of the current environment, the Company expects an extended ramp to a new normal.

The Company suspended most of its marketing initiatives and instead launched the Aritzia Community™ Care Program in early May. The initiative, in collaboration with the medical community, gifts over 100,000 frontline healthcare workers with custom-designed clothing packages. The gift comprises an initial donation of \$10 million in retail value.

Prior to COVID-19, the Company was on-track to meet or exceed its Fiscal 2021 targets related to its five-year plan at the time of its initial public offering. Due to the dynamic nature of COVID-19 and its short- to medium-term effects on the consumer landscape, Aritzia is withdrawing its financial and operating targets for Fiscal 2021 related to its previously disclosed five-year plan and will not be providing annual guidance at this time.

Aritzia has seen, and expects to continue to see, a direct, material adverse impact to revenue and operations as a result of COVID-19. The extent of the impact of the Temporary Closures, including the Company's ability to execute on its growth strategies and initiatives in the expected timeframe, will depend on future developments, including the duration of COVID-19, which are uncertain and cannot be predicted.

For further information in respect of COVID-19's impacts on our business, see "The Business of Aritzia" and "Risk Factors".

## **OUR INDUSTRY**

Aritzia operates in the women's apparel industry, primarily within the North American market. We are strategically positioned in a segment of the global fashion landscape between fast fashion and luxury. We believe we are well positioned to serve women of all ages in this client segment by offering a strategic mix of exclusive brands with beautifully designed, high quality products at an attainable price point, an aspirational shopping experience and exceptional client service.



We compete with a diverse group of specialty apparel retailers, department stores, fast fashion retailers, athletic retailers and other manufacturers and retailers of branded apparel. Market participants compete on the basis of, among other things, the location of boutiques, the breadth, style, quality, price and availability of merchandise, the level of client service and brand recognition. We believe that we successfully compete on the basis of several factors that include our strategic mix of exclusive brands, offering of a combination of high quality products at an attainable price point, our refined and proven merchandise planning strategy, our focus on providing an aspirational shopping experience and exceptional client service, our premier real estate portfolio and our market positioning, collectively resulting in a fashion brand loved by women all over the world.

The women's apparel industry is seasonal in nature with a high proportion of net revenue and operating income generated in our fourth fiscal quarter. Working capital requirements fluctuate during the year, increasing in mid-summer in anticipation of the fall merchandise season and increasing substantially prior to the holiday season when we carry significantly higher levels of inventory.

The apparel industry has experienced a significant increase in eCommerce activity, driven in part by the ease of online shopping and augmented by product and pricing transparency as well as the continued proliferation of social media. The increased prominence of online shopping in the industry highlights the importance of a strong and growing brand and has implications on the selection of boutique locations. We believe our measured approach to growth and focus on attractive, high-traffic boutique locations positions us well in this environment and allows us to optimize our market share across both channels in this evolving retail landscape.

## **WE ARE ARITZIA**

*We have a vision to be the most relevant and loved fashion destination for women all over the world. We believe in fashion that inspires and is both beautiful and beautifully made. We believe in an experience that delights, stunning spaces, human interactions, thoughtful touches, a sense of energy and fun. And we believe that all of this should come at a price that is truly attainable.*

Aritzia is an innovative design house and fashion boutique. We conceive, create, develop and retail fashion brands with a depth of design and quality that provides compelling value. Each of our exclusive brands has its own vision and distinct aesthetic point of view. As a group, they are united by an unwavering commitment to superior fabrics, meticulous construction and relevant, effortless design.

Founded in Vancouver in 1984, Aritzia now has more than 95 locations in select cities across North America, including Vancouver, Toronto, Montreal, New York, Los Angeles, San Francisco and Chicago. We pride ourselves on creating immersive, human and highly personal shopping experiences, both in our boutiques and on aritzia.com — with a focus on delivering Everyday Luxury.

## THE BUSINESS OF ARITZIA

### BRAND AND PRODUCTS

We are an innovative design house of exclusive fashion brands that offers a strategic mix of exclusive brands that have been thoughtfully conceived, created, and developed. We believe that a key area of differentiation for us is that we design apparel and accessories for our collection of exclusive brands. Our multi-brand strategy gives us control over our products and provides us with the flexibility to optimize our brand mix as needed to address changes in consumer demand and fashion preferences, which has been critical to our growth while also reducing risk. Each of our exclusive brands has its own vision and distinct aesthetic point of view. As a group, they are united by an unwavering commitment to superior fabrics, meticulous construction and relevant, effortless design.

Our exclusive brands are supported by in-house design teams focused on creating beautiful, quality products that align with the unique positioning, look and feel of each brand. Our portfolio of exclusive brands enables us to appeal to our clients across multiple aspects of their lifestyles and life stages, producing strong and enduring client loyalty. Our current brands include the following:

<b>BABATON</b>	<b>BABATON I—OI</b>	The Group <b>BABATON</b>
<b>TEN</b> BY BABATON	wilfred	wilfred free
le fou wilfred	<b>Tna</b>	Community
DENIM FORUM	<b>little moon</b>	<b>SUNDAY BEST</b>
MAIN CHARACTER		ALXILIARY

Our exclusive brands currently represent over 96% of Aritzia's net revenue. All of our products share the following key elements: high quality fabrics, considered detailing, sophisticated construction and superior fit. Our broad product assortment includes t-shirts, blouses, sweaters, jackets, coats, pants, skirts, dresses, denim, intimates and accessories for each season. We maintain a flexible mix of historically successful items and new fashion styles. Our changing product mix is a blended reflection of client demands and fashion trends. This strategic mix helps us to drive client conversion by delivering fashion must-haves,

while still generating a meaningful proportion of revenue from our fashion essentials. We complement our exclusive product mix with a strategically chosen selection of premium denim, apparel, accessories and footwear from leading contemporary third party brands. Our expansive and diverse range of women's fashion apparel and accessories addresses a broad range of style preferences and lifestyle requirements for women of all ages.

### **Product Strategy**

We control the design, merchandise planning, sourcing, production and retail functions of our exclusive brands and complement this with third-party brands as appropriate. This strategy allows us to ensure that we have the right product, at the right time, at the right price, in the right quantity and in the right place. Product design and quality are meticulously evaluated and controlled by us, from fabrics to trims, and styling to fit.

### ***Creative Development***

We have talented teams of in-house designers who focus on creating products featuring high quality fabrics, considered detailing, sophisticated construction and superior fit that our clients have come to expect. Our product design and development process builds on proven sellers while taking new fashion trends into account with the goal of creating fashion must-haves each season. Our in-house technical team ensures all products are executed in a manner that is consistent with our design and delivers superior fit and sophisticated construction in the production of our exclusive brands. Computer-aided design systems are used to develop patterns, and sample garments are fit-tested before production to ensure accuracy. We ensure that the quality of our raw materials and the finished product are all held to our high standards and the expectations of our clients.

### ***Merchandise Planning***

Our demand-driven merchandise planning, buying and inventory strategies have been developed and refined for more than three decades, and are designed to ensure that we have the right product, at the right time, at the right price, in the right quantity and in the right place.

Each year we develop merchandise in two or four seasonal collections for our exclusive brands. We generate a meaningful proportion of revenue from our proven sellers while driving client demand through new product assortment. We buy in initial quantities that allow us to gauge client demand and follow up with larger orders when proven successful to maximize revenue. We analyze sales data in order to make inventory adjustments and to respond to the latest trends. Our inventory management processes and systems provide us with the ability to optimize inventory across our channels to ensure that each boutique and aritzia.com is merchandised with products that resonate with local preferences. By actively monitoring sell-through rates and managing the mix of product categories in our boutiques, we are able to respond to emerging trends in a timely manner, minimize our dependence on any particular category, style or fabrication and preserve a balanced, coordinated presentation of merchandise within each boutique while being able to offer our client the entire assortment online. We believe that our disciplined merchandise planning strategy allows us to maintain modest inventory levels, maximize full-price sales and achieve markdown levels that are below industry averages.

### ***Sourcing and Production***

We contract and maintain direct relationships with a diversified base of independent suppliers and manufacturers for our exclusive brands, which provide us with the flexibility to source high quality materials and products at competitive costs. We source the majority of our raw materials directly from mills, trim suppliers and manufacturers, located primarily in China, Japan, Italy, South Korea, and France which we believe to be best-in-class that uphold our standards for quality, lead time and cost. Our finished goods are sourced from manufacturers located primarily in China, Vietnam, India, Romania, Sri Lanka and Cambodia. Capacity planning with our manufacturers is done at the beginning of the season to ensure flexibility. We engage third parties to inspect our manufacturers' factories to ensure quality control. We engage independent expert service providers to conduct factory audits for compliance with local laws and regulations and global standards.



We believe that our approach of sourcing a majority of our raw materials and working directly with suppliers and manufacturers enhances our ability to create beautiful and high-quality products in a timely manner.

## **ASPIRATIONAL SHOPPING EXPERIENCE**

We connect our clients to the energy of our culture through the products we sell and the environments we create. We sell our products through our boutiques and *aritzia.com*, giving us complete control of the presentation of our brand and the relationships with our clients. This strategy allows us to present our brand in a consistent manner, including pricing, marketing and product merchandising.

We carefully consider each Aritzia destination – physical and digital – individually, taking care to provide our clients with aspirational shopping experiences and exceptional service at every interaction:

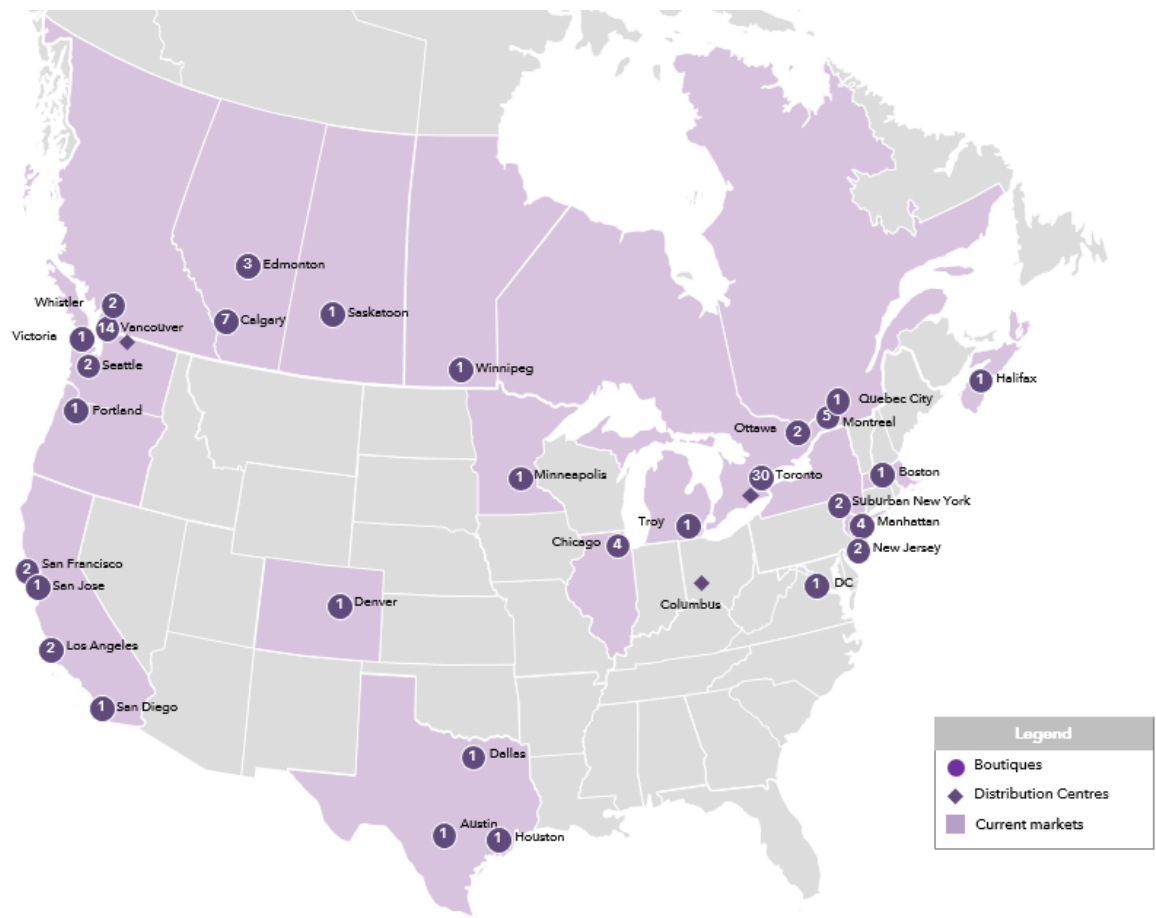
- Boutiques – We strive to offer our clients a multi-layered boutique environment that blends artistic touches, music and high-quality materials to create an exceptional client experience. All of our boutiques are meticulously and uniquely designed by an in-house team of architects and interior designers to be both aspirational and comfortable. Our culture is highly focused on the client, and our style advisors are trained to provide shopping experiences that are personalized to exceed our clients' wants and needs.
- *aritzia.com* – Our eCommerce business is a continually evolving digital representation of our brand. *aritzia.com* is designed to inspire our clients' digital shopping experience through its aesthetics and intuitive user interface, complemented by the delivery of our products in elevated packaging.

We focus on every detail of delivering an exceptional client experience, including the functionality of our boutiques, our proven boutique processes and the effective training we provide to our style advisors. We have passionate and long-standing style advisors who are trained to deliver a highly personalized shopping environment. Our eCommerce business is supported by a team in the areas of website development, marketing, social media, merchandising and concierge. Many of our concierge professionals are former style advisors who possess in-depth knowledge of our product and how we operate.

Our clients shop both online and in our boutiques, and we believe there are synergies between our boutique network and *aritzia.com*, with the success of each channel benefiting the other through increased brand awareness and affinity. The successful implementation of our point-of-sale system is the foundation for a multi-year strategy that is intended to align our people, processes and systems so our clients can shop and receive our products through any of our channels they choose.

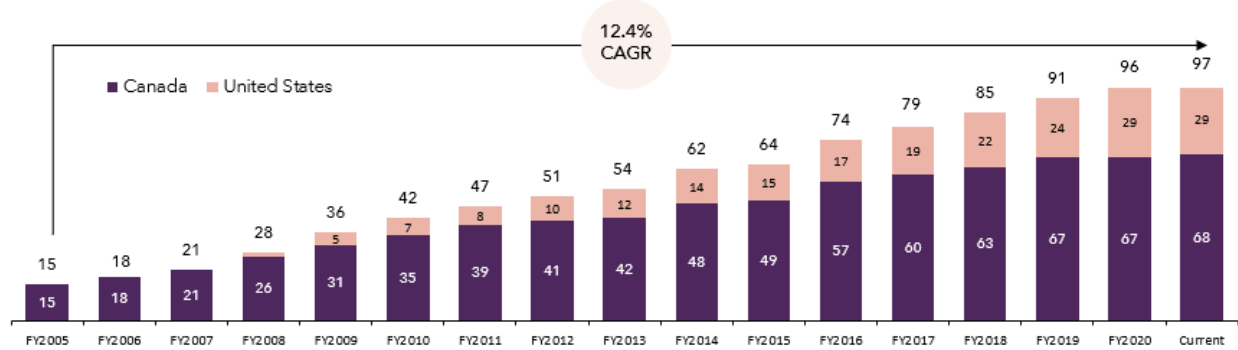
We continue to build out omni-channel capabilities to elevate our clients' shopping experience to a world-class level. Building on the foundation of our point-of-sale system and our investment in digital selling tools, we are creating a platform to provide our clients a seamless experience, whether they shop online or in our boutiques. The platform will allow our clients a centralized view of inventory and unlock order fulfillment capabilities to improve cross channel activities such as buy online, fulfill from boutiques and buy online, pickup in store.

# Boutiques



We have developed our boutique network in a measured and disciplined manner. We have a portfolio of boutiques situated in premier real estate locations in high performing retail malls and high streets in North America. Our strong boutique sales productivity continues to make us a sought-after tenant for top quality locations in premier shopping destinations. In addition to opening new Aritzia and exclusive brand boutiques (e.g. Wilfred, Babaton and TNA), we have generated attractive returns on capital by enhancing elements of our existing boutiques (including footprint, layout and assortment) through carefully considered boutique expansions and repositions. As a result of our disciplined real estate selection process and compelling boutique economics, we have never permanently closed an Aritzia boutique in our 35-year history.

## Measured Boutique Growth



As of the date of this Annual Information Form, we operate 68 boutiques in Canada and 29 boutiques in the United States, all of which are in premier locations within high performing retail centres and high streets. Our boutiques average approximately 6,000 square feet, generally ranging in size from 3,000 square feet to 8,000 square feet, with flagships as large as 18,000 square feet. Our primary focus is to open and operate boutiques under the Aritzia banner. We have selectively opened Wilfred, Babaton and TNA exclusive brand boutiques to optimize our market position based on client demand. All boutiques are leased under operating leases that are typically 10 years in length, with some leases containing additional options for renewal.

<b>Fiscal 2020 Canada</b>	<b>Number of Boutiques</b>
Alberta.....	10
British Columbia.....	17 <sup>(1)</sup>
Manitoba.....	1
Nova Scotia.....	1
Ontario.....	32
Québec.....	6
Saskatchewan.....	1
<b>Total Canada.....</b>	<b>68</b>

<sup>(1)</sup> Our McArthur Glen boutique opened on May 27, 2020.

<b>Fiscal 2020 United States</b>	<b>Number of Boutiques</b>
California.....	6
Colorado.....	1
Illinois.....	4
Massachusetts.....	1
Michigan.....	1
Minnesota.....	1
New Jersey.....	2
New York.....	6
Oregon.....	1
Texas.....	3
Washington.....	2
Washington DC.....	1
<b>Total United States.....</b>	<b>29</b>
<b>Total.....</b>	<b>97</b>

## eCommerce

*aritzia.com* is a continually evolving digital representation of our brand. It is designed to facilitate an inspired user experience across any device, through aspirational aesthetics and intuitive user interface, while celebrating our creativity, innovation and design. We strive to offer an integrated experience for our clients where they have another access point to our offerings, are able to shop when they want and how they want and enjoy the same exceptional client service that they would in our boutiques.

Our eCommerce clients are supported by a team of dedicated professionals in the areas of website development, marketing, social media, merchandising and client care. During fulfillment, each order is meticulously wrapped in our elevated packaging so that clients are delighted when packages are received and opened.

We have a Canadian (English & French) and a U.S. website, as well as an international website. We

pride ourselves on our functional innovation from the fully responsive nature of our site, optimized across all mobile devices through to the seamless integration of content and commerce. In Fiscal 2018, we received a Pacesetter Award in the Sustained Growth category from Salesforce.com Inc. The Pacesetter Awards recognize companies who stand out amongst their peers as the most progressive or successful, and who serve as an inspiration to both their industry and their clients. The Sustained Growth category includes companies that have achieved above-average growth in their industry for a period of at least two years.

We are continuing to improve the digital experience across all devices (e.g., desktop, mobile, tablet) to elevate our aspirational client experience. In Fiscal 2019, we implemented a number of core optimizations including: implementation of user reviews, fit guides and landing page templates, enhancing site search functionality, and numerous checkout improvements to reduce client friction. In Fiscal 2020 we focused on mobile optimization, including improvements to mobile navigation and check out. The core areas of our client's digital journey including content, evaluating, discovery, and purchase are continuously improved resulting in increased conversion rate and average order value.

We believe there is a synergistic relationship between our boutique network and *aritzia.com*, with the success of each channel benefitting the other through increased brand awareness and affinity. This dynamic is reflected in the increase of eCommerce revenue in new markets with recent boutique openings such as Denver and Minneapolis.

## **SUPPORT OPERATIONS**

### **Marketing**

We employ a holistic marketing approach to articulate the fundamental creative ideas that express our core values. We believe this has a meaningful impact on increasing awareness and affinity for Aritzia in existing markets and in growth markets such as the United States and outside North America.

Leading boutique productivity and traffic is driven by efficiently directing our marketing resources. At Aritzia, we believe our premier real estate footprint is an important marketing vehicle. By being situated in premier real estate locations in high performing retail malls and high streets, we are positioned where our clients are shopping and therefore in areas with high foot traffic and visibility to our brand. Our aspirational boutiques communicate the Aritzia brand through our boutique design, signage, windows, in our boutique displays, packaging and client service levels.

We focus our marketing resources on relationship building activities designed to cultivate, maintain and expand our client base. For example, Customer 360, one of the four in the suite of SAP projects Aritzia is invested in with respect to our Customer Program, supports client data analytics which will allow us to better segment our client base, target direct marketing and personalized interaction with our clients.

Our digital marketing strategy contemplates our eCommerce business as an extension of our boutique experience while employing social media avenues such as Instagram, Pinterest, Facebook and Twitter. This allows us to not only communicate with our clients, but also to interact with and drive engagement by encouraging user-generated content for use on our social media channels and *aritzia.com*, which continues to resonate with our clients.

We also continue to see celebrity influencers such as Meghan Markle, Gigi and Bella Hadid, Angelina Jolie, Cindy Crawford and a number of others wearing our products. Kendall Jenner, who has over 129 million Instagram followers, was the face of our Super Puff campaign for the second year in a row, along with Hailey Bieber, Sofia Richie and Camila Mendes. The use of paid and unpaid influencers will continue to be part of Aritzia's marketing strategy as we move forward.

### **Distribution Facilities**

Our current distribution network consists of three distribution centres, two in Canada and one in the United States, that are well positioned to service our boutiques and eCommerce business. We operate our distribution centre located in the Greater Vancouver Area, British Columbia. Our second Canadian distribution centre, located in Mississauga, Ontario and our U.S. distribution centre, located near Columbus,

Ohio, are both operated by third-party logistics providers. In August 2018, we relocated and expanded our Greater Vancouver distribution centre from 83,000 square feet into a new 223,000 square foot facility. As part of this expansion, we upgraded our warehouse management system to enhance our supply chain system flexibility and scalability and to provide a strong and enhanced foundation to support our boutique and eCommerce growth initiatives. During Fiscal 2020, we completed the expansion of both of our third-party distribution centres in Mississauga, Ontario and Columbus, Ohio from 75,000 square feet to 150,000 square feet and from 138,000 to 240,000 square feet, respectively. In total, we added 177,000 square feet of space, representing an approximately 80% increase in size for these facilities. These expansions support both our retail and eCommerce businesses with added capacity to handle higher levels of throughput.

## **Systems and Infrastructure**

Our focus on building our digital infrastructure impacts everything we do. In our view, digital is about more than just our technology and eCommerce business, it runs through the business all the way from design to the service we deliver in boutiques. These upgrades and other future investments are expected to increase our efficiency and support our growth.

We use various information systems to support the major functional aspects of our business. We use SAP, a sophisticated enterprise resource planning system and data warehouse, to provide business process support and intelligence across merchandise planning, inventory management, production, costing, order management, finance, accounting, reporting and analysis. This system has the flexibility to support global and multi-channel expansion. Our human resource information system allows us to better enable strategic human capital decisions. Our point-of-sale system further enhances our omni-channel operations and client relationship capabilities by allowing clients to shop and receive our products through any of our channels they choose. We are also directing resources with a renewed focus on digital marketing and increasing the use of data analytics to improve online conversion and client loyalty through increased personalization. We upgraded our warehouse management system in connection with our Greater Vancouver distribution centre expansion to enhance our supply chain system flexibility and scalability and to provide a strong foundation to support our boutique and eCommerce growth initiatives. We also intend to implement a new Product Lifecycle Management System. This system is expected to consolidate and manage all of our product development data and tools into a single place to improve our focus on innovation and product quality, increase speed to market where appropriate, and ultimately optimize manufacturing costs.

As we look to further elevate our client experience, we are continuing to develop our Customer Program, which is a multi-year initiative comprised of four projects that are expected to be implemented in phases. The program is designed to build on our world class client experience by providing a seamless, consistent and personalized approach towards how we engage and service our clients. Through advanced business intelligence and behavior analytics, our goal is to be able to tailor unique shopping experiences both in our boutiques and online while driving revenues and client loyalty:

- Customer 360 – Launched in Fiscal 2020, this tool enables us to store, view and edit client information from all of our front-end systems. This gives us an enhanced, real-time view of our clients including their attributes, past purchases and preferences.
- Marketing Communications Platform – This platform builds on Customer 360's data repository, which is expected to allow us to personalize our communications by creating campaigns that cater to our clients' attributes and preferences. We expect that a more personalized approach to marketing communications will enhance our top-line growth. The first phase was completed in Fiscal 2020.
- Concierge – Launched in Fiscal 2020, this new, integrated solution is expected to not only allow us to enhance our client experience throughout the lifecycle of their purchase, it is also expected to represent a revenue generating opportunity as we personalize each client interaction through our client care centre.
- Digital Selling Tools – This project is expected to be implemented in multiple phases. In the form of a mobile app, the digital selling tool is designed to provide enriched client information and product data to improve the productivity of our style advisors.

## **Talent Management**

Our executive team, led by our Founder and Chief Executive Officer, Brian Hill, has an average tenure of over 19 years at Aritzia. We are committed and passionate about what we do and how we execute. No matter how big or small, we set the bar high to capitalize on opportunities and strive to consistently exceed our clients' expectations. We invest in talent across the organization from our style advisors to our support office team and are committed to training and developing our future leaders, successfully positioning them to drive our growth. We believe we have the right team in place to grow our business.

As of March 1, 2020, we had 3,480 employees (excluding seasonal employees), of which 2,293 were employed in our boutiques, 828 were employed in our support offices, and 359 were employed at the distribution centre in the Greater Vancouver area, British Columbia.

We hire seasonal associates for our boutiques, distribution centre, and Aritzia Concierge during peak seasons such as the holiday shopping season, which provides us with greater flexibility in our workforce and allows us to better address busier peak periods. Our employees are not covered by a collective bargaining agreement and we have had no labour-related work stoppages.

## **Intellectual Property**

We believe we own the material trademarks used in connection with the design, production, marketing, distribution and sale of our products in Canada, the United States and in the other countries in which our products are currently or intended to be either sold or manufactured. Our major trademarks include *Aritzia*, *Wilfred*, *Babaton*, and *TNA* and span numerous countries and regions including Canada, the United States, China, Taiwan, Japan, Hong Kong, the European Union and Australia. On a global basis, we have over 500 trademarks, which are either registered or pending, and at least 300 domain name registrations. We intend to continue to strategically register, both domestically and internationally, trademarks and domain names that we use today and those we develop in the future. We also have confidentiality agreements and license agreements with employees, manufacturers and other third parties, which limit the use of our designs, trademarks and brands.

## **OUR FUTURE GROWTH**

We have a highly strategic and thoughtful approach to growth that is focused on profitability over the long-term. See "Forward-Looking Information" and "Risk Factors" in this document and the discussion under "Outlook" in Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended March 1, 2020.

### ***Expand and Enhance Our Boutique Network***

We believe that we have a meaningful opportunity to continue to grow our boutique network, particularly in the United States, where we have identified approximately 100 locations that meet our exacting criteria.

To maintain the overall look and feel of the Aritzia brand and support our compelling boutique economics, we are selective in evaluating boutique locations, with a focus on securing premier locations in high performing retail malls and high streets.

### ***Grow eCommerce***

Our eCommerce business was launched in fiscal 2013, quickly surpassed our growth expectations and has continued to experience growth year over year in online traffic. We believe the following strategies will support the net revenue growth objectives of *aritzia.com*:

- *Drive our omni-channel growth and capabilities* – Our clients shop both online and in our boutiques, and we believe there are synergies between our boutique network and *aritzia.com*, with the success of each channel benefiting the other through increased brand awareness and affinity. We are aiming to launch digital selling tools in our boutiques as well as new Aritzia Concierge capabilities that will enhance client interactions. We will seek to integrate these capabilities with the *aritzia.com* experience.

- *Capitalize on digital marketing channels to drive client acquisition and retention* – We are directing resources with a renewed focus on digital marketing, including programs centred on search engine optimization enhancements, refinement of our email marketing, and further leveraging our social media. We made numerous technical enhancements to improve our search engine optimization results, including navigation bread crumbs, improved product descriptions, and data driven category naming. We are pleased with the positive impact this has had on new client visits.
- *Deliver personalized experiences* – We are in the early phases of leveraging advanced business intelligence and behaviour analytics to further enhance our understanding of our clients. This includes optimizing our online operations to enhance personalization which we believe will drive higher conversion and client loyalty. Our goal is to use personalization techniques to customize product and content recommendations to clients based on where they are and how they shop.
- *Improve the digital experience to enhance the shopping experience online* – Aritzia is focused on improving the digital experience across all devices (e.g., desktop, mobile, tablet) to work towards making shopping frictionless. In Fiscal 2019, we implemented a number of core optimizations including user reviews and fit guides, enhancing site search functionality, landing page templates, and numerous checkout improvements to reduce client friction. The core areas of our client's digital journey including content, evaluating, discovery, and purchase are continuously improved resulting in increased conversion rate and average order value.
- *Elevate the brand online* – We see our multi-brand strategy as an asset, and we want to leverage it to create emotional connections with our clients. We are mobilizing resources to enhance how we showcase our exclusive brands and building intuitive tools to allow our clients to easily shop collections of products. We believe this will help improve conversion rates and drive repeat purchases.

### ***Drive Ongoing Exclusive Brand and Product Innovation***

Product innovation is a core competency for us and has been critical to our success. We always look beyond what 'is' to what 'could be' by continuously monitoring the evolving fashion landscape, our brand portfolio, our product mix and our client base to identify opportunities for innovation and growth. Our design house strategy provides our in-house creative teams with the ability to capitalize on these opportunities by establishing new exclusive brands and expanding our offering of product categories and styles.

In addition to creating new exclusive brands, we continue to innovate our products by broadening our assortment across categories and styles – some examples include the development of leather, denim, intimates and extended sizing opportunities.

We believe our innovation strategy drives traffic to our boutiques and *aritzia.com* and increases brand loyalty by guiding our mix of brands and products to meet our clients' needs. It also allows us to reinforce the appeal of our brands across a broader range of fashion needs, increasing our addressable market and 'share of our client's closet'.

### ***Enhance Long-Term Profitability through Operating Leverage and Continuous Improvement***

As we grow, we expect to be able to scale our investments and leverage our fixed costs alongside our expected growth in revenues. We continually seek to enhance our long-term profitability by

- Enhancing gross profit margins through sourcing efficiencies while continually reinvesting in the quality of our products and aspirational pricing; and
- Maintaining SG&A as a percentage of revenues with continued investment in talent and infrastructure to support our long-term growth objectives.

### ***Driving Brand Awareness***

Increased brand awareness is driven through real estate and marketing strategies designed to attract new clients. In our brand initiatives, our premier real estate locations and aspirational boutique designs highlight the exceptional design and unique ethos and aesthetic of our exclusive brands. We are also employing our eCommerce business, enhancing our social media capabilities and interactions and utilizing

influencers as an extension of our brand experience. In addition, we are using various public relations and search optimization tools to drive our brand awareness online and increase our relationship building activities designed to cultivate, maintain and expand our client base.

## **CORPORATE RESPONSIBILITY**

### **Sustainability Governance**

Reporting into the President and Chief Operating Officer and, a dedicated team leads the implementation of the sustainability strategy and programs of work in place designed to meet our KPIs and targets. While the Senior Leadership Team shares overall accountability for the strategy, the President and Chief Operating Officer is responsible for representing all sustainability matters including human rights and climate risks at the Board of Directors. Board members with particular sustainability expertise and experience include David Labistour and Marcia Smith.

### **Sustainability Strategy**

Aritzia is committed to driving sustainable business practices through its own operations while upholding human rights and environmental stewardship through its supply chain.

In partnership with Anthesis, a leading independent third-party specialist, Aritzia conducted a materiality assessment in 2017 using leading and comprehensive data sets such as RiskHorizon™ and Organizational Lifecycle Assessment (O-LCA), which quantified carbon emissions, water consumption and waste generation across our value chain. In addition, Aritzia's labour rights baseline and ongoing review of suppliers through our monitoring program allows us to understand endemic and evolving risks in our supply chain. Based on our assessment to-date, we have prioritized the areas below to mitigate the impacts which are most material to our business.

#### ***Product***

- Adoption of more sustainable materials across key raw materials and packaging;
- Promoting and improving environmental stewardship in suppliers; and
- Safeguarding human and labour rights at our suppliers.

#### ***Operations***

- Establishing GHG emissions reduction targets; and
- Minimizing waste generation and diverting operational and textile waste from landfill.

### **Risk Management & Sustainability**

A number of environmental and human rights risks highlighted during our materiality assessment as well as risks identified through our ongoing programs have contributed to how we approach our priorities referenced above. Details of some of our key risks can be found in more detail in the Risk Factors section.

### **Sustainability Metrics and KPIs**

Aritzia has developed a number of KPIs and targets to drive the adoption of more sustainable raw materials across our products and packaging, decrease the use of single use plastics for transportation packaging, safeguard human and labour rights, and promote environmental stewardship in suppliers. We will continue to develop and evolve these against our material impacts, which drive our strategy.

### **Philanthropy**

We continue our work to support local communities through our strategic commitment to supporting organizations that help women and girls to succeed at work in and in life. We support our community



partners through regular product donations, financial support and by providing volunteer hours to non-profits and community partners who share our values.

The Company launched the Aritzia Community™ Care Program in early May 5. The initiative, in collaboration with the medical community, gifts over 100,000 frontline healthcare workers with custom-designed clothing packages. The gift comprises an initial donation valued at \$10 million in retail value.

Additional information about how we are embedding our values into our business is available on our website, [www.aritzia.com](http://www.aritzia.com), under Sustainability.

## RISK FACTORS

*The following specific factors could materially adversely affect us and should be considered when deciding whether to make an investment in Aritzia and the Subordinate Voting Shares. The risks and uncertainties described in this Annual Information Form and the information incorporated by reference herein are those we currently believe to be material, but they are not the only ones we face. If any of the following risks, or any other risks and uncertainties that we have not yet identified or that we currently consider not to be material, actually occur or become material risks, our business, prospects, financial condition, results of operations and cash flows and consequently the price of the Subordinate Voting Shares could be materially and adversely affected. In all these cases, the trading price of the Subordinate Voting Shares could decline, and prospective investors could lose all or part of their investment.*

*COVID-19 has caused significant business disruptions. In March 2020, the COVID-19 pandemic was declared to be a global pandemic by the World Health Organization. Further given the Temporary Closures, we have seen, and expect to continue to see, a direct, material adverse impact to revenues and operations as a result of COVID-19. The rapidly evolving COVID-19 situation also poses various other risks to our business, certain of which are detailed below. Any one of these risks, or a combination of these risks and others beyond our control, could result in further adverse impacts on our business, financial condition and results of operations. In addition, the following factors, categorized by the primary nature of the associated risk, could affect our financial performance and cause actual results, plans and expectations to differ materially from those expressed or implied in any of the forward-looking statements contained in this Annual Information Form.*

### **Risks Related to Our Business and Industry**

***General economic conditions in Canada, the United States and other parts of the world, including lower levels of consumer spending, can affect consumer confidence and consumer purchases of discretionary items, including fashion apparel and related products, such as ours.***

Consumer purchases of discretionary retail items and specialty retail products, which include our apparel and accessories, may be adversely affected by economic conditions such as employment levels, salary and wage levels, the availability of consumer credit, inflation, interest rates, tax rates, fuel prices and consumer confidence with respect to current and future economic conditions. Consumer purchases may decline during recessionary periods or at other times when unemployment is higher or disposable income is lower. These risks may be exacerbated for retailers like us that focus significantly on selling discretionary fashion merchandise. Consumer willingness to make discretionary purchases may decline, may stall or may be slow to increase due to international, national and regional economic conditions.

Our financial performance is particularly susceptible to economic and other conditions in regions where we have a significant number of boutiques. There remains considerable uncertainty and volatility in the Canadian and U.S. economy. Further or future slowdowns or disruptions in the economy could adversely affect mall and shopping destination traffic and new mall and retail development and could materially and adversely affect us and our growth plans. We may not be able to maintain our recent rate of growth in net revenue if there is a decline in consumer spending. In addition, a deterioration of economic conditions and future recessionary periods may impact the other risks faced by our business, including

those risks we encounter as we attempt to execute our growth plans.

Global uncertainty, such as uncertainty with respect to national trade policies and the global short- and long-term effects of COVID-19 or other pandemics or similar crises, may cause changes in consumer confidence and in consumers' discretionary spending habits, resulting in a material adverse effect on our business, financial condition and results of operations.

***The success of our business depends on our ability to optimize our product offerings by anticipating and responding in a timely manner to constantly changing consumer demands, tastes and fashion trends across multiple brands, product lines, sales channels and geographies. Our inability to anticipate and respond to these changes could have a material adverse effect on our business, financial condition and results of operations.***

Our target market of apparel and accessories for women is subject to rapidly shifting fashion and seasonal trends, client tastes and demands. Accordingly, our success is dependent on our ability to anticipate and forecast changes in fashion trends and consumer preferences and continuously manage and develop our collection of brands to respond to these consumer trends including expanding sales channels and geographies.

We design new merchandise, select and purchase raw materials, develop new brands and retail concepts, incorporate select third-party brands and continuously adjust the position of our brands and merchandise categories in an effort to meet our clients' demands. We also manage our inventory through pricing and by allocating, replenishing and transferring product across our network of boutiques and eCommerce platform to optimize merchandise offerings.

There can be no assurance that we will be able to continue to successfully carry out our demand-driven merchandise planning, buying and inventory strategies and stock our boutiques and eCommerce platform with the appropriate assortment of merchandise. To the extent our predictions differ from our clients' purchasing preferences, we may be faced with excess raw materials or inventories for some merchandise and/or shortages or missed opportunities for others. Although we have historically exercised a disciplined mark-down strategy, excess inventories could compromise our ability to continue to do so and result in lower gross profit margins due to greater than anticipated discounts and markdowns that might be necessary to reduce inventory levels. Low inventory levels can adversely affect our ability to meet client demand, which may lead to lost revenue and diminished brand loyalty.

In addition to our own execution, we also need to react to factors affecting our product offerings that are outside of our control, such as natural disasters, global hostilities, global health crises, disease outbreaks (including COVID-19) or other unforeseen events that may significantly impact client demand including consumer discretionary spending and buying habits and the operations of retailers generally. Any sustained failure to anticipate, identify and respond to emerging trends in consumer preferences could have a material adverse effect on our business, financial condition and results of operations.

***Our business depends on a strong brand image, both for the Aritzia brand and our collection of exclusive brands, and if we are not able to protect and enhance our brands, our business may be negatively impacted.***

We believe that our brand image and brand awareness has contributed significantly to the success of our business and that maintaining and enhancing our brand image and increasing brand awareness in new markets where we have limited brand recognition is important to maintaining and expanding our client base. Maintaining and enhancing our brand image and increasing brand awareness may require us to make investments in areas such as merchandising, boutique development, employee training, public relations and marketing, as well as other costs associated with opening new boutiques and continuing to expand our eCommerce business. These investments may be substantial, and our efforts may not ultimately be successful.

Our brand image and reputation may be impacted by actions taken by our service providers, employees, characteristics of our merchandise (including characteristics that may result in recalls),

marketing activities and negative commentary or reviews. Widespread use and access to social media campaigns and viral messaging or imagery could significantly broaden the scope and impact of any such events or circumstances. Because consumers value readily available information about retailers and their products, they may act on information conveyed through social media without further investigation and without regard to its accuracy. The harm to our brand may be immediate without affording us an opportunity for redress or correction, and there can be no assurances that we will respond in an appropriate or timely manner.

***Our brand image and reputation may be negatively impacted by actions taken by suppliers, manufacturers and other third-party service providers.***

The actions and business practices of our suppliers, manufacturers and other third-party service providers may negatively impact our brand. We source the materials for our merchandise and our independent suppliers and manufacturers operate predominantly in China and other overseas markets, including but not limited to, Vietnam, India, Romania, Sri Lanka, and Cambodia. Although our suppliers and manufacturers are subject to our vendor code of conduct, which is reinforced through manufacturer factory audits by independent expert service providers for compliance with local laws and global standards, and through the disclosure of their environmental management practices and performance, we do not otherwise supervise or control our suppliers and manufacturers. Monitoring compliance of independent manufacturers is complicated by the fact that expectations of social and environmental best practices is continually evolving and may be substantially more demanding than applicable legal requirements and are driven in part by legal developments and by diverse groups active in publicizing and organizing public responses to social and environmental impacts or violations. Accordingly, we cannot predict how such expectations might develop in the future and cannot be certain that our guidelines would satisfy all parties who are active in monitoring and publicizing such violations in social, environmental and other business practices worldwide. Any failure by us, or by our suppliers or manufacturers, to maintain client service levels, merchandise quality and integrity, social and environmentally sustainable practices generally accepted in North America or in the countries our suppliers and manufacturers operate in, or socially and environmentally responsible operations could adversely affect our brand image and reputation.

Additionally, if we do not meet the transparency standards expected by parties active in promoting social and environmental business practices, we may attract negative publicity, regardless of whether the actual labour and other business practices adhered to by us and our suppliers and manufacturers satisfy substantive expectations of social and environmental business practices. Any negative publicity about, or significant damage to, our brand or reputation could negatively impact revenue, reduce employee morale and productivity and diminish client trust, any of which could harm our business, financial condition and results of operations.

We have also occasionally received, and may in the future continue to receive, some shipments of merchandise that fail to comply with our specifications or that fail to conform to our quality control standards. We have also received, and may in the future continue to receive, merchandise that either meets our specifications but that is nonetheless unacceptable to us, or products that are unacceptable to certain clients or to other members of the public. Under these circumstances, unless we are able to obtain replacement products in a timely manner, we risk the loss of revenue resulting from the inability to sell such merchandise and related increased administrative and shipping costs. Additionally, if the unacceptability of our merchandise is not discovered until after it is purchased or viewed by our clients or members of the public, our clients or members of the public could form unfavourable opinions of our merchandise, we could face a merchandise recall, our results of operations could suffer, and our reputation and brand could be harmed.

***Fluctuations in the value of the Canadian dollar in relation to the U.S. dollar and other currencies may impact our operating and financial results and may affect the comparability of our results between financial periods.***

We are exposed to market risks attributable to fluctuations in foreign currency exchange rates, primarily changes in the value of the Canadian dollar versus the U.S. dollar. Exchange rate fluctuations

could have an adverse effect on our operating and financial results.

The majority of our revenue are derived in Canadian dollars while the vast majority of our cost of goods sold is denominated in U.S. dollars, which could cause an impact to our cost of goods sold following changes in the value of the Canadian dollar against the U.S. dollar. In the future, we expect to continue to derive a significant portion of our revenue in Canadian dollars and incur a significant portion of our cost of goods sold and operating costs in U.S. dollars, and changes in exchange rates between the Canadian dollar and the U.S. dollar may have a significant, and potentially adverse, effect on our results of operations.

We may use foreign currency forward contracts to mitigate risks associated with forecasted U.S. dollar merchandise purchases sold in Canada, but there can be no assurances that such strategy will prove to be successful. Currency hedging entails a risk of illiquidity and, to the extent the applicable foreign currency depreciates or appreciates (depending on the direction of the hedge) against the Canadian dollar, the use of hedges could result in losses greater than if the hedging had not been used. Also, hedging arrangements may have the effect of limiting or reducing the total returns to us if management's expectations concerning future events or market conditions prove to be incorrect, in which case the costs associated with the hedging strategies may outweigh their benefits.

Our consolidated financial statements are presented in accordance with IFRS, and we report, and will continue to report, our results in Canadian dollars, our functional currency. Our U.S. operations have a functional currency of U.S. dollars and are translated into Canadian dollars at each reporting period, with the resulting unrealized translation gains or losses included in other comprehensive income (loss). Any change in the value of the U.S. dollar against the Canadian dollar during a given financial reporting period may cause our reported earnings to fluctuate materially and may not be comparable from period to period.

***If we lose the services of members of our management team or other key personnel or are unable to attract new team members who possess specialized market knowledge and technical skills, it could reduce our ability to compete and to manage our operations effectively.***

Our management team consists of a core group of senior executive officers. As a result of having a relatively small group of senior executive officers, the loss of the technical knowledge, management expertise and knowledge of our operations of one or more members of our team, including as a result of circumstances due to COVID-19 or other pandemics or similar crises, could result in a diversion of management resources, as the remaining members of management would need to cover the duties of any senior executive who leaves us and would need to spend time usually reserved for managing our business to search for, hire and train new members of management. Further, in connection with COVID-19 or other pandemics or similar crises, members of our management team (as well as other key personnel or members of our board of directors), may become subject to quarantine requirements or other restrictions with limited or no remote work capabilities due to travel or other mobility restrictions. We do not have key person life insurance policies for our management employees.

The loss of some or all of our management team or other key personnel, including our designers and managers of key functional areas, could negatively affect our ability to develop and pursue our growth strategy, which could adversely affect our business and financial condition. Any departures of key personnel could also be viewed in a negative light by investors and analysts, which could cause the market price of our Subordinate Voting Shares to decline.

Additionally, the market for key personnel in the industry in which we compete is highly competitive and not concentrated in Vancouver, British Columbia, the location of our support office. As a result, we may not be able to attract and retain key personnel with the skills and expertise necessary to manage our business and pursue our growth strategy.

***Our ability to obtain merchandise on a timely basis at competitive costs could suffer as a result of any deterioration or change in our supplier and manufacturer relationships or events that adversely affect our suppliers or manufacturers or cause disruptions in their businesses.***

Our suppliers and manufacturers are affected by, among other things, increases in labour and fuel costs, raw material prices, labour availability, labour disputes and disruptions, disruption by fire, regulatory

changes, political or economic instability, natural disasters, global hostilities, global health crises and disease outbreaks (including COVID-19), weather trends, trade restrictions, tariffs, currency exchange rates, transport capacity and costs, logistical business interruptions, financial instability and other factors relating to foreign trade. These factors are beyond our control, may adversely affect our suppliers or manufacturers or cause disruptions to their businesses and may impact (and in the case of COVID-19, have already impacted) our ability to source raw materials and finished merchandise and manufacture our merchandise on acceptable terms.

Most of our apparel products are currently manufactured for us outside of North America. Canada, the United States and the countries in which our products are produced or sold internationally have imposed and may impose additional quotas, duties, tariffs, or other restrictions or regulations, or may adversely adjust prevailing quota, duty or tariff levels. Trade restrictions, including tariffs, quotas, embargoes, sanctions, safeguards and customs restrictions, could increase the cost or reduce the supply of products available to us or may require us to modify our supply chain organization or other current business practices, any of which could harm our business, financial condition and results of operations.

We have a number of important supplier and manufacturer relationships that we believe provide us with a competitive advantage. We do not own or operate any manufacturing facilities. Instead, we source fabrics, other materials and selected finished merchandise from third-party suppliers and work with third-party manufacturers to produce the majority of our merchandise. We do not have long-term contracts with our suppliers and manufacturers and we generally operate without any contractual assurances of continued supply or pricing. Any of our suppliers or manufacturers could discontinue their relationship with us, or cease to provide materials, merchandise or services on a satisfactory basis for a variety of reasons, including as a result of pandemics, including COVID-19 and other pandemics and similar crises.

The benefits we currently experience from our vendor relationships could be adversely affected if our suppliers or manufacturers:

- choose to cease their relationship with us and we cannot replace those suppliers;
- raise the prices they charge us;
- change pricing terms to require us to pay earlier or upfront, including as a result of changes in the credit relationships some of our suppliers or manufacturers have with their various lending institutions;
- experience a business disruption driven by natural or anthropogenic hazards impacting their ability to operate or export;
- sell similar merchandise to our competitors with similar or better pricing, many of whom already purchase merchandise in significantly greater volume and, in some cases, at lower prices than we do; or
- lengthen their lead times.

We are continuing to monitor the impacts COVID-19 has had, and continues to have, on our global supply chain, including disruptions of product deliveries. We are collaborating with our third-party suppliers and manufacturers to mitigate significant delays in the delivery of merchandise, as certain factories have been closed and certain other factories are operating at a limited capacity. However, it is impossible to predict the impact of further global supply chain disruptions on our business over the next 12 months. There can be no assurance that we will be able to obtain desired merchandise in sufficient quantities on acceptable terms or at all in the future, especially if we need significantly greater amounts of inventory in connection with the growth of our business. We may need to explore the sourcing and manufacturing capabilities of new countries and develop relationships with new suppliers and manufacturers as our current sourcing and manufacturing countries, suppliers and manufacturers may be unable to supply us with and produce needed quantities and we may not be able to obtain the same terms from new suppliers and manufacturers.

Our eCommerce platform remains open and we continue to serve our clients online. However the impact of COVID-19 on our global supply chain could delay or disrupt product offerings on our eCommerce platform and require us to make unexpected changes to our offerings. This may impact our ability to meet

the demand of our clients online. Further, as we re-open our boutiques, continued social distancing measures or changes in consumer spending behavior and health concerns may continue to impact consumer demand for our products and client traffic. Our supply chain will need to address changes in consumer demand and consumer traffic.

If we are unable to obtain suitable merchandise in sufficient quantities, at acceptable prices with adequate delivery times due to the loss of or a deterioration or change in our relationship with one or more of our key suppliers or manufacturers or events harmful to our suppliers or manufacturers occur, it may adversely affect our business and results of operations.

***We operate in a highly competitive industry and the size and resources of some of our competitors may allow them to compete more effectively than we can, which could adversely impact our growth and market share.***

We face intense competition in the retail apparel industry. We compete on the basis of a combination of factors, including the location of boutiques, eCommerce experience, the breadth, style, quality, price and availability of merchandise, the level of client service and brand recognition. We compete with a diverse group of specialty apparel retailers, department stores, fast fashion retailers, athletic retailers and other manufacturers and retailers of branded apparel including online retailers and distributors. Our expansion into markets served by our competitors and entry of new competitors or expansion of existing competitors into our markets could have an adverse effect on our business.

Many of our competitors are, and many of our potential competitors may be, larger, and may have greater brand recognition, greater online presence and access to greater financial, marketing and other resources. Therefore, these competitors may be able to devote greater resources to the marketing and sale of their products, generate greater brand recognition or adopt more aggressive pricing policies and distribution methods than we can. As a result, we may lose market share, which could reduce our revenue and adversely affect our results of operations. Many of our competitors also utilize advertising and marketing media as well, as broader distribution channels, which we generally do not, including advertising online or through the use of direct mail, newspapers, magazines, billboards, television and radio, which may provide them with greater brand recognition than we have.

We do not possess exclusive rights to some elements that comprise our in-boutique experience and merchandise offerings. In addition, a limited portion of our merchandise is sourced from third parties on a non-exclusive basis. Our competitors may seek to emulate facets of our business strategy, in-boutique experience or merchandise offerings, which could result in a reduction of any competitive advantage that we might possess. As a result, our current and future competitors, especially those with greater eCommerce capabilities or financial, marketing or other resources, may be able to duplicate or improve upon some or all of the elements of our online or in-boutique experience or merchandise offerings that we believe are important in differentiating our boutiques and our clients' shopping experience. If our competitors were to duplicate or improve upon some or all of the elements of our eCommerce experience, in-boutique experience or product offerings, our competitive position and our business could suffer. There is no assurance that we will continue to compete successfully against existing or future competitors.

***We will require significant capital to fund our expanding business, which may not be available to us on satisfactory terms or at all. While we plan to use cash from operations and our revolving credit facility to fund our operations and execute our growth strategies, if we are unable to maintain sufficient levels of cash flow, we may not meet our growth expectations or we may require additional financing which could adversely affect our financial health and impose covenants that limit our business activities, as well as cause dilution to existing Shareholders.***

We continue to have a focus on growth and expansion, including the expansion of our eCommerce business, our boutique network, our distribution centres and distribution channels and the upgrade of our information technology systems and other infrastructure as opportunities arise. The timeframe for expanding our boutique network and our eCommerce business may need to be adjusted, may not be successful, may depend on our ability to successfully partner with third-party service providers and the implementation of these plans may not result in expected increases in our net revenue even though they

increase our costs. We rely on various third-party software providers for our eCommerce and information technology infrastructure and if such service providers go out of business or our partnership with such service providers is affected negatively, this can affect our growth strategies and our ability to increase revenues. To support our expanding business and execute on our growth strategies, we will require significant capital.

We primarily depend on cash flow from operations and our Credit Facilities (as defined below) to fund our business and growth plans. If our business does not generate sufficient cash flow from operations to fund these activities, and sufficient funds are not otherwise available to us from our Credit Facilities, we may need additional equity or debt financing. If such financing is not available to us, or is not available on satisfactory terms, our ability to operate and expand our business or respond to competitive pressures would be curtailed and we may need to delay, limit or eliminate expansion plans or operations or other elements of our growth strategies. The Temporary Closures have caused a material adverse effect on our cash flow from operations, the significance of which will be dependent on the duration of the Temporary Closures and, more broadly, the global impacts of COVID-19 as a whole. The extent of the impact of the Temporary Closures, including our ability to execute on our growth strategies and initiatives in the expected time frame, will depend on future developments, including the duration of COVID-19, which are uncertain and cannot be predicted.

The issuance of additional Subordinate Voting Shares under any equity financing may have a dilutive effect on the interests of Shareholders. The number of Subordinate Voting Shares that we are authorized to issue is unlimited. We may, in our sole discretion, subject to applicable law and the rules of the TSX, issue additional Subordinate Voting Shares from time to time (including pursuant to any equity-based compensation plans), and the interests of Shareholders may be diluted as a result.

***Our ability to manage our operations at our current size and to successfully execute on our growth strategies is subject to numerous risks and uncertainties, and any failure to do so could have a negative impact on the price of our Subordinate Voting Shares.***

The success of our growth strategies is dependent on, among other things, our ability to expand our boutique network (particularly in the United States), expand and reposition existing boutiques on a timely and profitable basis, grow our eCommerce business, drive revenue growth through brand and product innovation, leverage our competitive advantages and increase our brand awareness internationally, as well as factors which are beyond our control, including general economic conditions and consumer confidence in future economic conditions, particularly in light of expected significant adverse impacts of COVID-19 on the global economy in general and on our short-to-medium term growth prospects in particular. If we fail to execute any one or more of these initiatives or fail to fully realize the benefits expected to result from these initiatives, our results of operations and our ability to remain competitive could be materially adversely impacted, and the price of our Subordinate Voting Shares could decline. Our results as of the date hereof are not an indication of future results, and there can be no assurance that these initiatives will generate increased revenue or improve operating margins even if we are to successfully implement our growth strategies.

We have grown substantially as a company since inception, though much of this growth occurred from 2007 onwards. As we move forward, we expect our growth to bring new challenges and complexities that we have not faced before. Among other difficulties that we may encounter, this growth would place a strain on our existing infrastructure, including our distribution facilities, information technology systems, data centre capacity, financial controls, real estate requirements and employee base and may make it more difficult for us to adequately forecast expenditures. Our state-of-the-art data centre, which was built in 2013, was designed with 10 years of data capacity growth and in time will need to be upgraded to accommodate our growth or be migrated to cloud providers. Our budgeting may become more complex, and we may also place increased burdens on our suppliers and manufacturers, or need to seek additional suppliers and manufacturers, as we would likely increase the size of our merchandise orders. The increased demands that our growth plans would place on our infrastructure and our management team may cause us to operate our business less efficiently, which could cause deterioration in our performance. New order delivery times could lengthen as a result of the strains that growth may place on our existing resources and our growth may make it otherwise difficult for us to respond quickly to changing trends, consumer preferences and

other factors. This could result in excess or deficient inventory, greater markdowns, loss of market share and decreased revenue. We cannot anticipate all of the demands that expanding operations would impose on our business, and our failure to appropriately address these demands could have an adverse effect on us.

In addition, we believe that an important contributor to our success has been our corporate culture, which we believe fosters innovation, teamwork, passion for our brands and designs and personalized client service. As we grow, we must effectively integrate, develop and motivate a growing number of new employees. As a result, we may find it difficult to maintain our corporate culture, which could limit our ability to innovate and operate effectively. Any failure to preserve our culture could also negatively affect our ability to retain and recruit personnel, to perform at current levels or to execute on our growth strategies.

***We are subject to risks associated with leasing boutique space and are subject to a number of long-term non-cancelable leases with substantial lease payments. Any failure to make these lease payments when due, or the inability to extend, renew or continue to lease space in key locations, may likely harm our business, profitability and results of operations.***

We do not own any real estate. Instead, we lease all of our boutique locations, as well as our support offices and distribution facility in the Greater Vancouver area, British Columbia. Accordingly, we are subject to all of the risks associated with leasing and occupying real property, including adverse demographic and competitive changes affecting the location of the property, changes in availability of and contractual terms for leasable boutique space, credit risk in relation to tenant improvement allowances from landlords and potential liability for environmental conditions or personal injury claims.

A key driver to the success of any boutique is its location. There can be no assurance that our current boutique locations will continue to be desirable in the future, or that we will be able to secure new desirable locations in the future on favourable terms or at all. Boutique locations, client conversion and revenues may be adversely affected by, among other things, social and economic conditions in a particular area, competition from nearby retailers selling similar merchandise, changes in co-tenants that negatively impacts the desirability of our boutique locations, changing lifestyle choices of consumers in a particular market, redevelopment and the closing or decline in popularity of other businesses located near our boutique locations. Changes in areas around our boutique locations that result in reductions in client foot traffic or otherwise render the locations unsuitable could cause our revenue to be less than expected.

Our existing boutiques are leased from third parties and typically have lease commitments of ten years; however, certain leases have flexible termination provisions with some exceptions. However, there can be no assurances that we will be able to extend, renew or continue to lease our existing boutique locations, or identify and secure alternative suitable locations. In addition to fixed minimum lease payments, most of our boutique leases provide for additional rental payments based on a percentage of revenue, or “percentage rent,” if revenue at the respective boutiques exceed specified levels, as well as the payment of common area maintenance charges, real property insurance, real estate taxes and other charges. Many of our lease agreements have defined escalating rent provisions over the initial term and any extensions. Increases in occupancy costs and difficulty in identifying economically suitable new boutique locations could have significant negative consequences, which include:

- requiring that a greater portion of our available cash be applied to pay our rental obligations, thus reducing cash available for other purposes and reducing our profitability;
- increasing our vulnerability to general adverse economic and industry conditions; and
- limiting our flexibility in planning for, or reacting to changes in, our business or in the industry in which we compete.

We depend on cash flow from operations to pay our lease expenses and to fulfill our other cash needs. If our business does not generate sufficient cash flow from operating activities to fund these expenses and sufficient funds are not otherwise available to us, we may not be able to service our lease expenses, grow our business, respond to competitive challenges or fund our other liquidity and capital needs, which could harm our business. The foregoing is especially significant in light of COVID-19 and the precautionary measures we have implemented including the Temporary Closures. There is significant uncertainty



surrounding the ultimate duration of these closures and consumer willingness to visit shopping malls and other pedestrian thoroughfares once they re-open. The impact of the Temporary Closures on our current lease obligations remains uncertain and we may be limited in our ability to obtain rent abatements or landlord concessions of rent otherwise payable during the duration of the Temporary Closures as well as after re-opening.

Additional sites that we lease may be subject to long-term non-cancelable leases if we are unable to negotiate flexible lease terms. If an existing or future boutique is not profitable and we decide to close it, we may nonetheless be committed to perform our obligations under the applicable lease including, among other things, paying the base rent for the balance of the lease term, as well as the payment of common area maintenance charges, real property insurance, real estate taxes and other charges. In addition, portions of rent may be accelerated. Lastly, if we are not able to enter into new leases or renew existing leases on terms acceptable to us, this could have an adverse effect on our results of operations and profitability.

***Our growth strategies depend in part upon our ability to successfully open and operate new boutiques, primarily in the United States, in a timely and cost-effective manner.***

Part of our growth strategy depends on continuing to successfully open and operate new boutiques, primarily in the United States. Our ability to successfully open and operate new boutiques depends on many factors that may be outside of our control including, among others, our ability to:

- increase brand awareness;
- identify desirable boutique locations, primarily in malls, premier shopping destinations and street locations, which may be difficult and costly, particularly in an improving real estate environment;
- negotiate acceptable lease terms, including favorable levels of tenant improvement allowances;
- maintain out-of-pocket, build-out costs in line with our boutique economic model, including by receiving expected levels of tenant improvement allowances for a portion of our construction expenses, and managing construction costs at reasonable levels;
- efficiently design, source materials for, manufacture and distribute additional merchandise;
- hire, train and retain a growing workforce of boutique managers, style advisors and other personnel, including key management personnel;
- successfully integrate new boutiques into our existing control structure and operations, including our information technology systems;
- efficiently expand the operations of our distribution facilities to meet the needs of a growing boutique network;
- identify and satisfy the merchandise and other preferences of our clients in new geographic areas and markets; and
- address competitive, merchandising, marketing, distribution and other challenges encountered in connection with expansion into new geographic areas and markets.

To the extent that we open boutiques in markets where we already have existing boutiques, we may experience reduced net revenue at those existing boutiques.

Newly opened boutiques may not achieve net revenue or profitability levels. If our boutiques fail to achieve, or are unable to sustain, acceptable net revenue and profitability levels, our business may be materially harmed and we may incur significant costs associated with closing or relocating boutiques. In addition, any expansion plans are only estimates, and the actual number of boutiques we open, the timeline on which we do so and the actual number of suitable locations for our new boutiques could differ significantly from any estimates. In particular, any expansion plans pre-dating COVID-19 will need to be reviewed to account for significant adverse economic conditions expected to last throughout Fiscal 2021 and beyond resulting from widespread economic impact of COVID-19. If we fail to successfully open and operate new

boutiques and execute our growth plans, the price of our Subordinate Voting Shares could decline.

***Our limited operating experience and limited brand recognition in markets outside North America may limit our expansion efforts, subject us to additional risks and cause our business and growth to suffer.***

Our long-term future growth depends, in part, on our expansion efforts outside North America. Our current operations are based largely in Canada. We currently have 68 boutiques in Canada, 29 boutiques in the United States and none outside North America. Therefore, our client base and our operating experience outside Canada, and in particular outside North America, is limited. We also have limited experience with regulatory environments and market practices outside of North America and cannot guarantee that we will be able to penetrate or successfully operate in any market outside of North America. In connection with any future expansion efforts outside of North America, we would expect to encounter many obstacles we do not face in North America, including cultural and linguistic differences, differences in regulatory environments and market practices, difficulties in keeping abreast of market, business and technical developments and foreign clients' tastes and preferences. We may also encounter difficulty expanding into new markets because of limited brand recognition. Failure to develop new markets outside of North America (through our eCommerce business or otherwise) may harm our business, growth and results of operations.

***There can be no assurance that we will successfully manage and grow our eCommerce business as planned, and any failure to do so could have a negative impact on the price of our Subordinate Voting Shares.***

Growing our eCommerce business is essential to our growth strategy, as is expanding our product offerings available through this platform. The usability of and client experience provided by our eCommerce platform is critical to the success and growth of our eCommerce business. Any extended software disruption of our eCommerce business or the failure on our part to provide an attractive, effective, reliable, user-friendly eCommerce business that offers a wide assortment of merchandise with rapid delivery options and that continually meets the changing expectations of online clients could place us at a competitive disadvantage, result in the loss of revenue or harm our reputation with clients and could have a material adverse effect on our business and results of operations. We also depend on third-party service providers for our eCommerce platform and any service disruption on their part can affect our client's ability to access our website resulting in loss of revenue or harm our reputation.

The retail landscape is also quickly changing due to the rise of the digitally influenced shopping experience and the emergence of disruptive technologies, such as digital payments, drones, driverless cars and robotics. Any failure to adapt our business to recognize and manage this shift in a timely manner could adversely affect our operations or financial performance.

The growth of our eCommerce business is also dependent on our ability to successfully manage the costs, difficulties and competitive pressures associated with international shipping, including inventory management and distribution, and compliance with governing statutes, laws, regulations and regulatory policies in the jurisdictions to which we ship, including laws governing the operating and marketing of eCommerce websites, as well as the collection, storage and use of information on consumers interacting with these websites. Other risks specific to our eCommerce business include diversion of revenue from our boutiques, difficulty in recreating the in-boutique experience through direct channels, our ability to successfully partner with third-party service providers including online distribution channels, and liability for online content. If we are unable to expand or update our eCommerce business commensurately with our competitors, manage international shipping and successfully respond to the risks inherent to eCommerce, our financial results and the growth of our eCommerce business may be negatively impacted, and the price of our Subordinate Voting Shares could decline.

***A material disruption in or security breach affecting our information technology systems or eCommerce business could significantly affect our business and lead to reduced revenue, growth prospects and reputational damage.***

We rely extensively on our computer systems to manage our business, including client, employee, product, inventory, supply chain and financial data, and to record and process transactions and payroll. While our systems are designed to operate without interruption, we have experienced, and may in the future experience, interruptions to the availability of our computer systems from time to time. The failure of our computer systems to operate effectively, keep pace with our growing capacity requirements, smoothly transition to upgraded or replacement systems or integrate with new systems could adversely affect our business. In addition, our computer systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, cyber-attacks, phishing attacks, denial-of-service attacks, social engineering attacks, ransomware attacks, security breaches, catastrophic events such as fires, floods, earthquakes, tornadoes, hurricanes, pandemics, acts of war or terrorism, and usage errors by our employees. If our computer systems are damaged or cease to function properly, we may have to make a significant investment to fix or replace them. We may also suffer loss of critical data, compromise to the integrity or confidentiality of data and information, including but not limited to client and employee information in our systems or networks, disruption to the systems or networks of third parties on which we rely, and interruptions or delays in our operations. We rely on third-party technology cloud providers and may be subject to risks of such service providers ceasing business operations, changing their business models, reducing functionality or experiencing cyber-attacks or system outages. A lack of relevant and reliable information that enables management to effectively manage our business could preclude us from optimizing our overall performance. Any significant loss of data or failure to maintain reliable data could have a material adverse effect on our business and results of operations. A disruption to our eCommerce business could reduce our eCommerce revenue, increase our costs, diminish our growth prospects, expose us to litigation, decrease client confidence and damage our brand, and a material interruption to any of our computer systems could adversely affect our business or results of operations and our reputation.

Though cyber incidents can result from deliberate attacks or unintentional events, information security risks have increased in recent years because of the proliferation of new technologies and the increased sophistication of perpetrators of cyber-attacks. Experienced computer programmers and hackers, or even internal users, may be able to penetrate secured systems or create systems disruptions or cause shutdowns of our network security or that of third-party companies with which we have contracted to provide services. We generally collect, process, store and use sensitive personal information relating to our clients and employees, including their personally identifiable information, and rely on third parties for the operation of our eCommerce site and for the various social media tools and websites we use, for marketing purposes and for employment purposes. Any perceived, attempted or actual unauthorized disclosure of personally identifiable information regarding our employees, clients or website visitors could harm our reputation and credibility, reduce our eCommerce revenue, impair our ability to attract website visitors, reduce our ability to attract and retain clients, or subject us to litigation or the imposition of significant fines or penalties, which could adversely affect our business, growth, brand image and reputation. Moreover, we could incur significant expenses or disruptions of our operations in connection with system failures or data breaches.

An increasing number of websites, including those of several well-known companies and institutions, have recently disclosed data security breaches, some of which have involved sophisticated and highly targeted attacks on portions of their sites. Because the techniques used to obtain unauthorized access, disable or degrade services or sabotage systems, change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. In addition, sophisticated hardware and operating system software and applications that we buy or license from third parties may contain defects in design or manufacture, including “bugs” and other problems that could unexpectedly interfere with the security and operation of the systems. The costs of eliminating or alleviating security problems, viruses and bugs could be significant, and efforts to address these problems could result in interruptions, delays or cessation of service that may impede our sales, distribution or other critical functions.

These data security breaches, particularly those of large, well-known companies, have attracted a substantial amount of media attention, prompting new foreign, federal, provincial and state laws and

legislative proposals addressing data privacy and security, as well as increased data protection obligations imposed on merchants by credit card issuers. In addition, many jurisdictions in which we operate have already adopted breach of privacy and data security laws or regulations that require notification to consumers or employees if the security of their personal information is breached, among other requirements. Governmental focus on data security may lead to additional legislative action, and the increased emphasis on information security may lead to requests that we take additional measures to enhance security or restrict the manner in which we collect and use client and employee information. As a result, we may modify our business systems and practices with the goal of further improving data security, which would result in increased expenditures and operating complexity. Any compromise of our security or accidental loss or theft of client or employee data in our possession could result in a violation of applicable privacy and other laws, significant legal and financial exposure and damage to our reputation, which could adversely impact our business, financial condition, results of operations and the price of our Subordinate Voting Shares. Moreover, such mandatory disclosures are costly, could lead to negative publicity, and may cause our clients to lose confidence in the effectiveness of our data security measures.

In addition, as a result of COVID-19, a significant number of continuing functions are carried out by employees working from home or otherwise remotely. Remote working by employees, increased use of public Wi-Fi and use of office equipment off-premises has become necessary for the time being and may make our business more vulnerable to cybersecurity breach attempts. This period of uncertainty may also result in increases in phishing and other scams, fraud, money laundering, theft and other criminal activity.

***Many of our business functions are centralized at our support office location. Disruptions to the operations at that location could have an adverse effect on our business.***

Our support office is located in Vancouver, British Columbia. We have centralized a large number of business functions at this location, including product and boutique design, client support, marketing and boutique management. Most of our senior management, our primary data centre and critical resources dedicated to merchandising, financial and administrative functions, are located at the support office. If we were required to shut down the support office location for any reason, including fire, natural disasters, global hostilities, global health crises, disease outbreaks (including COVID-19) or civil disruptions, our management and our operations staff would need to find an alternative location, causing significant disruption and expense to our business and operations. For example, as a result of COVID-19, we have experienced an increase in the number of employees working from home or otherwise remotely.

We recognize the need to enhance our disaster recovery, business continuity and document retention plans that would allow us to be operational despite unforeseen events impacting our support office and intend to do so in the future. Without disaster recovery, business continuity and document retention plans, if we encounter difficulties, power failures or disasters at our support office, our critical systems, operations and information may not be restored in a timely manner, or at all, and may adversely impact our business operations.

***Implementation and replacement of core information technology systems could disrupt our operations and adversely affect our financial results.***

During Fiscal 2017, we implemented a human resource information system which allows us to better enable strategic human capital decisions. In Fiscal 2018, we implemented a new point-of-sale system to further enhance our omni-channel operations and client relationship capabilities. These systems may cause delays or disruptions and may be used improperly, either of which might negatively impact our business, prospects, financial condition and results of operations. In Fiscal 2019, upgraded our warehouse management system in connection with our Greater Vancouver distribution centre expansion to enhance our supply chain system flexibility and scalability and to provide a strong foundation to support our boutique and eCommerce growth initiatives. During Fiscal 2020, we commenced the initial implementation of Customer 360 and Marketing Communications Platform, two foundational components of the Customer Program. The Customer Program is designed to build on our world class client experience by providing a seamless, consistent and personalized approach towards how we engage and service our clients. Through advanced business intelligence and behavior analytics, our goal is to be able to tailor unique shopping

experiences both in our boutiques and online while driving revenues and client loyalty. We intend to implement a new Product Lifecycle Management System. This system is expected to consolidate and manage all of our product development data and tools into a single place to improve our focus on innovation and product quality, increase speed to market where appropriate, and ultimately optimize manufacturing costs.

The risks associated with the above information technology systems changes, as well as any failure of such systems to operate effectively, could adversely impact human capital management and the promptness and accuracy of our merchandise distribution, marketing activities, transaction processing and financial accounting and reporting capabilities. Internal controls over financial reporting, the efficiency of our operations and our ability to properly forecast earnings and cash requirements may be adversely affected, and we could be required to make significant additional expenditures to remediate any such failures or problems.

Other companies may have experienced significant delays and cost overruns in implementing similar system changes, and we may encounter problems as well. Our planned investments in maintenance capital expenditures and infrastructure are forward-looking information and are based on opinions, estimates and assumptions that may prove incorrect. Actual costs may vary materially from those forecast in this Annual Information Form. Additional unforeseen costs in developing infrastructure, including the new Customer Program and the Product Lifecycle Management System, and other information technology improvements may adversely impact our business operations and profitability. We may not be able to successfully implement these new systems or, if implemented, we may still face unexpected disruptions in the future. Any resulting delays or disruptions could harm our business, prospects, financial condition and results of operations.

***If we are unable to attract, motivate and retain quality style advisors, we may not be able to maintain a consistently high level of client service and grow or sustain our operations, and as a result our brand, business and financial results may be harmed.***

Our business is dependent on our ability to attract, motivate and retain a sufficient number of boutique employees, including boutique managers, who understand and appreciate our clients, brand and corporate culture, and are able to adequately and effectively represent our culture and establish credibility with our clients. Many of these employees are in entry level or part-time positions with historically high rates of turnover. There is also a high level of competition for experienced, qualified personnel in the retail industry and we compete for personnel with a variety of companies looking to hire for retail positions. Historically, we have prided ourselves on our commitment to employee growth and development and we focus on promoting from within our team. However, our growth plans will strain our ability to staff our new boutiques, particularly at the boutique manager level, which could have an adverse effect on our ability to maintain a cohesive and consistently strong team, which in turn could have an adverse impact on our business. If we are unable to attract, train and retain boutique personnel capable of consistently providing exceptional client service, as demonstrated by their enthusiasm for our culture and brand, understanding of our clients and knowledge of the merchandise we offer, our ability to open new boutiques may be impaired, the performance of our existing and new boutiques could be materially adversely affected and our brand image and our ability to implement our growth strategies may be negatively impacted. In addition, COVID-19 has caused public health officials to recommend precautions to mitigate the spread of the virus, particularly when congregating in heavily populated areas, such as retail boutiques, shopping malls or other pedestrian thoroughfares. Our business could be adversely affected if style advisors are either unwilling or unable to work in our boutiques as a result of longer lasting concerns once the closure requirements in connection with our Temporary Closures are lifted. In addition, we may experience a temporary shortage of style advisors once our boutiques re-open due to illness or time taken away to care for family members experiencing illness. This risk cannot be fully mitigated through succession planning. We may be required to attract, hire and train a number of new style advisors.

***Union attempts to organize our employees could negatively affect our business.***

None of our employees are currently subject to a collective bargaining agreement. As we make efforts

to grow and enter different regions, unions may attempt to organize all or part of our employee base at certain boutiques, distribution centres or within certain regions. Responding to such organization attempts may divert the attention and efforts of management and employees and may have a negative financial impact on individual boutiques, or on our business as a whole.

The maintenance of a productive and efficient labour environment and, in the event of unionization of these employees, the successful negotiation of a collective bargaining agreement, cannot be assured. Protracted and extensive work stoppages or labour disruptions such as strikes or lockouts could have a material adverse effect on our business, financial condition and results of operations.

***We are dependent on three distribution facilities, including two operated by third-party logistics providers. If one or more of our distribution facilities becomes inoperable, capacity is exceeded or if operations are disrupted, our business, financial condition and operating results could be negatively affected.***

We depend on the orderly operation of the receiving and distribution process, which relies on adherence to shipping schedules and effective management of distribution centres and sufficiently planned capacity. Although we believe that our receiving and distribution processes are efficient, and we have appropriate contingency plans, unforeseen disruptions in operations due to fire, severe weather conditions, natural disasters or other catastrophic events, global hostilities, global health crises, disease outbreaks (including COVID-19) terrorist attacks, electronic or power interruptions, failure of software and hardware or other system failures, human error, labour disagreements, shipping problems or other similar events may result in delays in the delivery of merchandise to our boutiques and eCommerce clients. As a result of COVID-19, we have implemented what we believe are leading health measures which have allowed our distribution centres to remain operational during these uncertain times.

In Fiscal 2019, we relocated and expanded our Greater Vancouver distribution centre from an 83,000 square feet facility into a new 223,000 square feet facility. As part of this expansion, we upgraded our warehouse management system to enhance our supply chain system flexibility and scalability and to provide a strong foundation to support our boutique and eCommerce growth initiatives. During Fiscal 2020, we completed the expansion of both of our third-party distribution centres in Mississauga, Ontario and Columbus, Ohio. In total, we added 177,000 square feet of space, representing an 80% increase in size for these facilities. These expansions support both our growing retail and eCommerce businesses with added capacity to handle higher levels of throughput. Any failure to expand our distribution capacity in a timely manner to keep pace with our growth could have an adverse effect on our business. In addition, these expansions allow us to have network flexibility so if one distribution centre is not operational, we can rely on the other distribution centres without much disruption.

Although we maintain business interruption insurance and property insurance, we cannot provide any assurance that our insurance coverage will adequately protect us from the adverse effects that could result from significant disruptions to our distribution system, such as the long-term loss of clients or an erosion of our brand, or that insurance proceeds will be paid to us in a timely manner. In addition, our distribution capacity is dependent on the timely performance of services by third parties, including the shipping of our products to and from our distribution facilities. At present, our distribution capacity is also dependent on our distribution centres remaining open and able to meet eCommerce demand including as a result of COVID-19. If we encounter issues with our distribution system as a result of COVID-19, our ability to meet eCommerce demand and satisfy client expectations, as well as our ability to manage inventory, complete sales and achieve objectives for operating efficiencies could be negatively impacted.

***We rely upon independent third-party transportation providers for all of our merchandise shipments.***

We currently rely upon independent third-party transportation providers for all of our inbound and outbound merchandise shipments, including shipments to our distribution centres, all of our boutiques and our eCommerce clients. Our use of such third-party transportation providers for shipments is subject to risks, including increases in fuel prices, which would increase our shipping costs (freight and delivery), labour disruptions, inclement weather, transportation accidents, human error and shipment delays. Any

unanticipated changes in our transportation providers, such as a result of a strike or other stoppages, could result in logistical difficulties that could adversely impact deliveries and we may incur costs and expend resources in connection with such change. Moreover, we may not be able to obtain terms as favorable as those received from the third-party transportation providers we currently use, which may also result in increased costs. Lastly any issues with ports, rail systems or air systems, including any slowdowns, stoppages, or back-ups, including as a result of COVID-19, or other pandemics or similar crises, could adversely impact deliveries result in increased costs and drain on resources.

Failure of our third-party transportation providers to deliver our merchandise in a timely manner may negatively impact our ability to optimize merchandise offerings, client service levels, brand reputation and profitability.

***Increases in the cost of the raw materials or other inputs used in the production, manufacturing and transportation of our merchandise or import taxes and duties could result in increases in our cost of goods sold and adversely affect our financial results.***

Fluctuations in the cost, availability and quality of the fabrics or other raw materials, particularly cotton, wool, down, silk and synthetics used in our manufactured apparel, could have a material adverse effect on cost of goods sold or our ability to meet client demands. The prices of fabrics depend largely on the market prices of the raw materials used to produce them. The price and availability of the raw materials and, in turn, the fabrics used in our apparel, may fluctuate significantly depending on many factors, including inflationary pressures, weather patterns, environmental patterns, crop yields, labour costs, tariff rates, foreign currency exchange rates and changes in oil prices. Further, freight cost is impacted by changes in fuel prices. Fuel prices affect freight cost both on inbound freight from manufacturers to the distribution centres and outbound freight from the distribution centres to our boutiques and eCommerce clients. Increased fabric, material, import taxes and duties and transport costs increase our cost of goods sold and could impair our ability to meet production or purchasing requirements in a timely manner. An inability to mitigate these cost increases could lead us to attempt to pass on such cost increases to our clients through boutique price increases on our merchandise, which could adversely affect our revenue volume. It could also lead to a change in our merchandise mix or inventory levels, which could result in a decrease in our profitability.

The U.S. and Canada have imposed and may impose additional quotas, duties, tariffs, or other restrictions or regulations, or may adversely adjust prevailing quota, duty or tariff levels. Countries impose, modify and remove tariffs and other trade restrictions in response to a diverse array of factors, including global and national economic and political conditions, which make it impossible for us to predict future developments regarding tariffs and other trade restrictions. Trade restrictions, including tariffs, quotas, embargoes, safeguards, and customs restrictions, could increase the cost or reduce the supply of products available to us or may require us to modify our supply chain or other current business practices, any of which could harm our business, financial condition and results of operations as a result of the fact, among others, that we currently source the materials for our merchandise and our independent suppliers and manufacturers operate predominantly in China and other overseas markets, including but not limited to, Vietnam, India Romania, Sri Lanka and Cambodia. For example, escalating trade tensions between the U.S. and China as a result of the imposition of reciprocal tariffs have resulted in a decline in exports between the two countries, as well as negatively impacting the global economy and creating market uncertainty. Trade relations may continue to deteriorate between the U.S. and China, which could impact our business and decrease our profitability.

We are dependent on international trade relations, agreements and regulations. The United States is Canada's largest trading and investment partner, and as a result the Canadian economy is significantly affected by developments in the U.S. economy. Since the implementation of the North American Free Trade Agreement ("NAFTA") in 1994 among Canada, the U.S. and Mexico, total merchandise trade among the three countries has increased. Notwithstanding the expected implementation of the United States-Mexico-Canada Agreement, which will replace NAFTA, there remains uncertainty in the United States regarding current tax and trade law, regulation and government policy, and, if implemented, some proposals discussed recently have the potential to adversely affect U.S. trade relationships with Canada and China. Changes in U.S.-Canada or U.S.-China trade relations and changes to U.S. tax or other laws (including

new or changes in regulations promulgated by the U.S. Internal Revenue Service and the U.S. Department of the Treasury) as well as changes in Canadian or Chinese laws and regulations, such as the imposition of or increase in tariffs or other trade barriers, could materially and adversely impact our effective tax rate, increase our costs and reduce the competitiveness of our products.

***Our net revenue and inventory purchases fluctuate on a seasonal basis, which could adversely affect our business and financial condition.***

Our business is seasonal, with a higher proportion of net revenue and operating cash flows historically generated during the second half of the fiscal year, which includes the back-to-school and holiday seasons. We also have higher working capital requirements in the periods preceding the launch of new seasons as we receive and pay for new inventory. This seasonality in revenue, cash flows and expenses may impact the comparability of our results of operations and could adversely affect our business and financial condition. Seasonal or cyclical variations in our business may become more pronounced over time and may harm our results of operations in the future.

Our quarterly results of operations may also fluctuate significantly as a result of a variety of other factors, including, among other things, the following: the timing of new boutique openings; net revenue and profits contributed by new boutiques; increases or decreases in comparable sales; changes in our product mix; and the timing of new advertising and new brand or product introductions.

As a result of these seasonal and quarterly fluctuations, we believe that comparisons of our operating results between different quarters within a single fiscal year are not necessarily meaningful and that these comparisons cannot be relied upon as indicators of our future performance.

Any future seasonal or quarterly fluctuations in our results of operations may not match the expectations of market analysts and investors. Disappointing quarterly results could cause the price of our Subordinate Voting Shares to decline. Seasonal or quarterly factors in our business and results of operations may also make it more difficult for market analysts and investors to assess the longer-term profitability and strength of our business at any particular point, which could lead to increased volatility in the price of our Subordinate Voting Shares. Increased volatility could cause the price of our Subordinate Voting Shares to suffer in comparison to less volatile investments.

***If we fail to adequately continue to connect with our client base, our business could be adversely affected.***

We focus on organic, social media, and in-boutique marketing to capture the interest of our clients and drive them to our boutiques and website. We generally do not use traditional advertising channels, such as newspapers, magazines, billboards, television and radio, which are used by some of our competitors. This may impair our ability to successfully integrate new boutiques into the surrounding communities, to expand into new markets at all or to maintain the strength or distinctiveness of our brand in our existing markets. We have no assurance that our organic, social media and in-boutique marketing efforts will prove successful outside of the narrow geographic regions in which they have been used in Canada and the United States. As we expand into new geographic markets, consumers in these markets may not accept our brand image. We anticipate that, as our business expands into new markets and as the market becomes increasingly competitive, maintaining and enhancing our brand may become increasingly difficult and expensive.

If our marketing efforts are not successful, there may be no immediately available or cost effective alternative marketing channel for us to use to build or maintain brand awareness. If we are required to use traditional advertising channels in our overall marketing strategy, then we will incur additional expenses associated with the transition to and operation of a traditional advertising channel. As we execute our growth strategies, our ability to successfully increase brand awareness and to expand our eCommerce business will be adversely impacted if we fail to connect with our target clients. Failure to successfully connect with our target clients in new and existing markets could harm our business, financial condition and results of operations.

In addition, we have increasingly leveraged our influencer relationships to further promote our brand



and products to targeted consumer groups, encourage consumer engagement, increase brand loyalty and drive traffic in our boutiques and on our eCommerce platform. In the event that one or more influencers with which we have an existing arrangement no longer promotes our brand, promotes our brand in a negative way, does not adhere to applicable guidelines required by law, or is subject to negative publicity in the media, this may negatively impact our brand and reputation, and we may be required to spend time and resources cultivating new influencer relationships, and these new relationships might not be as successful as our existing relationships. If we are unable to effectively recruit influencers with a meaningful following to promote our brand and products, our business, growth and results of operations may be adversely affected.

***We may be unable to continue to grow revenue levels or meet other financial targets, which could cause the price of our Subordinate Voting Shares to decline.***

Our success depends, in part, upon our ability to improve comparable sales and achieve revenue and other financial targets for our boutiques and eCommerce business. Various factors affect revenue levels, including competition, consumer trends and preferences, the general economic and retail environment, anthropogenic and natural disasters, disease outbreaks (including COVID-19), our ability to efficiently source and distribute products, brand innovation and changes in our merchandising mix, the timing of release of new merchandise and promotional events, the success of marketing programs, prior period revenue levels, inventory shrinkage, the timing and amount of markdowns, weather conditions and changes in the other tenants in the shopping centres or other locations in which our boutiques are located. These factors may cause our revenue results to differ materially from prior periods and from expectations. Past revenue and other financial results are no indication of future results, and there can be no assurance that our revenue levels will not decrease in the future. We have made and intend to continue to make significant capital investments over the long-term to increase Comparable Sales Growth by focusing on brand and product innovation and enhancing boutique layout, merchandise and product offerings and presentation. Failure to grow comparable sales, meet other financial targets or meet expectations could adversely affect our revenue, and the price of our Subordinate Voting Shares could decline.

***A failure to reduce operating expenses in a timely manner in response to changes in our business could adversely affect our results of operations.***

Our business and results of operations are sensitive to a number of factors, both within and outside our control. In the event of a sustained reduction in revenue, for whatever reason and including as a result of the Temporary Closures resulting from COVID-19, it may be necessary to implement an expense reduction plan. The successful implementation of an expense reduction plan, if and when deemed advisable by management, depends on many factors, including our ability to identify the need for such a plan in a timely manner, to effectively implement such plan, as well as certain factors which are beyond our control, including economic conditions, labour market conditions, ability to maintain our management team to implement our plan, and any one of these factors or other unforeseen factors could have a material adverse effect on our ability to implement any targeted cost savings to stabilize our results of operations.

***A failure to maintain an effective system of internal controls over financial reporting could harm our financial performance, our ability to raise capital and our listing on the TSX.***

We are responsible for establishing and maintaining adequate internal control over financial reporting, which is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Due to inherent limitations, any control, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Additionally, management is required to use judgment in evaluating controls and procedures. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, including as a result of COVID-19, or that the degree of compliance with the policies or procedures may deteriorate. A failure to prevent or detect errors or misstatements may result in a decline in the price of our Subordinate Voting Shares and harm our ability to raise capital in the future.

If our management is unable to certify the effectiveness of our internal controls or if material weaknesses in our internal controls are identified, we could be subject to regulatory scrutiny and a loss of public confidence, which could harm our business and cause a decline in the price of our Subordinate Voting Shares. In addition, if we do not maintain adequate financial and management personnel, processes and controls, we may not be able to accurately report our financial performance on a timely basis. It is also possible that individuals may become unable to perform control duties due to absences caused by COVID-19 or other pandemics or similar crises. If any existing control cannot be performed, management may need to identify alternative appropriately designed controls to compensate, which could divert management resources. All of the foregoing which could cause a decline in the price of our Subordinate Voting Shares and harm our ability to raise capital.

Failure to accurately report our financial performance on a timely basis could also jeopardize our listing on the TSX or any other stock exchange on which our Subordinate Voting Shares may be listed. Delisting of our Subordinate Voting Shares on any exchange would reduce the liquidity of the market for our Subordinate Voting Shares, which would reduce the price of and increase the volatility of the price of our Subordinate Voting Shares.

We do not expect that our disclosure controls and procedures and internal controls over financial reporting will prevent all error or fraud. A control system, no matter how well-designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within an organization are detected. The inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of certain persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected in a timely manner or at all. If we cannot provide reliable financial reports or prevent fraud, our reputation and operating results could be materially adversely effected, which could also cause investors to lose confidence in our reported financial information, which in turn could result in a reduction in the trading price of the Subordinate Voting Shares.

***A failure to maintain an effective system of internal controls and enterprise risk management over business operations could harm our operational effectiveness, financial performance, and our ability to react to change.***

Our business operations are fast-paced, complex and inter-dependent. Failure to effectively identify and manage business operation risks by implementing and maintaining internal controls may result in operational inefficiencies, inventory shrinkage, loss of profitability, reputational damage, and impact our ability to react to business environment change or business continuity disruptions. While we have implemented an Enterprise Risk Management program (“**ERM Program**”) to support leaders and management to identify and manage business operation risks, because of the infancy of the program and inherent limitations, internal business operations controls may not be effectively implemented or maintained. The inherent limitations include the realities that identification and assessment of risks can be faulty, and that controls may be breached because of simple errors or mistakes. Controls can also be circumvented by individual acts of certain persons, by collusion of two or more people or by management override of the controls. Furthermore, we do not expect that our ERM Program will identify and mitigate all business operation risks. An ERM Program, no matter how well designed and implemented, can provide only reasonable, not absolute assurance that business operations control's objectives will be met and sustained

***We may be unable to protect our trademarks or other intellectual property rights, and may be subject to claims that we, or our suppliers, have infringed upon the trademarks or other intellectual property rights of third parties.***

We believe that our trademarks are integral to our boutiques and our eCommerce business and our

success in building our brand image and client loyalty. We enter into confidentiality agreements and license agreements with employees, manufacturers and other third parties and we rely on trademark registrations and common law trademark and copyright rights to protect the distinctiveness of our brand and have registered those trademarks that we believe are important to our business in Canada and the United States. We have registered certain of our trademarks in several foreign countries to seek protection outside Canada and the United States, and may seek to expand these registrations in the future. However, international protection of our brand image and the use of these marks may be unavailable or could be limited. In some cases, there may be trademark owners who have prior rights to our marks because the laws of certain foreign countries may not protect intellectual property rights to the same extent as do the laws of Canada or the United States. In other cases, there may be holders who have prior rights to similar marks. We cannot assure you that our registrations will prevent imitation of our name, or exclusive brands, or the infringement of our other intellectual property rights by others within North America or elsewhere. Imitation of our brands in a manner that projects lesser quality or carries a negative connotation of our brand image could have an adverse effect on our business, financial condition and results of operations. Similarly, use of or negative publicity or events associated with our brand or trademarks in jurisdictions where our intellectual property rights are not protected may negatively affect our image and reputation in North America or elsewhere. If we fail to enforce or maintain any of our intellectual property rights, we may be unable to capitalize on our efforts to maintain and, in new markets, increase our brand equity.

We currently own no patents or exclusive intellectual property rights in the fabrics or processes used for our merchandise. Any such intellectual property rights are owned or controlled by our suppliers and manufacturers and are generally not unique to us. We do not generally seek to patent our merchandise designs given the time, expense and degree of distinctiveness required to do so. Intellectual property protection for our merchandise is therefore limited. As a result, our current and future competitors may be able to manufacture and sell merchandise with fabrications, characteristics and styling similar to our merchandise. Because some of our competitors may have greater financial, distribution, marketing and other resources than we do, they may be able to manufacture and sell merchandise based on our designs, fabrics and manufacturing processes at lower prices than we can. If our competitors do sell similar merchandise to ours at lower prices, our revenue and profitability could suffer.

Litigation may be necessary to protect and enforce our trademarks and other intellectual property rights, or to defend against claims brought by third parties. Although we are not aware of any current claims, our internally designed merchandise or our marketing materials may, or may be in the future, be claimed to violate intellectual property rights of third parties. We also purchase certain finished merchandise that may be subject to design copyrights, design patents or otherwise may incorporate protected intellectual property and we do not independently investigate whether the suppliers legally hold the intellectual property rights to the merchandise sold to us.

Although we cannot currently estimate the likely outcome of any intellectual property-related claims or lawsuits, any such litigation or claims brought by or against us could result in substantial costs and diversion of our resources, which could have an adverse effect on our business, financial condition and results of operations. If disputes arise in the future, we may not be able to successfully resolve these types of conflicts to our satisfaction.

***The terms of our Credit Facilities do, and any additional debt financing may, restrict our current and future operations, which could adversely affect our ability to manage our operations and respond to changes in our business.***

We are currently indebted under our Term Credit Facility (as defined under “Material Contracts – The Credit Agreement”) and we may incur additional indebtedness under the Credit Facilities (as defined under “Material Contracts – The Credit Agreement”) or otherwise in the future. We are exposed to changes in interest rates on our cash and cash equivalents, bank indebtedness and long-term debt. The Credit Facilities allows us to borrow at variable rates of interest. Debt issued at variable rates would expose us to cash flow interest rate risk while debt issued at fixed rates would expose us to fair value interest rate risk. If interest rates were to increase, interest payments could increase even though the amount borrowed does not change given our variable rate borrowings. In addition, our current and future interest payments need to be repaid or refinanced, and could require us to divert funds identified for other purposes to debt service

and could create additional cash demands or impair our liquidity position and add financial risk for us. Diverting funds identified for other purposes for debt service may adversely affect our business and growth prospects. If we cannot generate sufficient cash flow from operations to service our debt, particularly in light of the Temporary Closures, we may need to refinance our debt, dispose of assets, reduce or delay expenditures or issue equity to obtain necessary funds. We do not know whether we would be able to take any of these actions on a timely basis, on terms satisfactory to us, or at all. In particular, the current market volatility and economic downturn as a result of COVID-19 may adversely impact the rates at which we are able to borrow and our ability to borrow under the Credit Agreement in the future, or pursuant to other available sources. In addition, in light of the impacts to our ability to generate cash from operations during COVID-19, our results may be further negatively impacted by our payment obligations (including interest) with respect to our outstanding borrowings.

Our Credit Agreement contains restrictive financial and other covenants which affect, among other things, the manner in which we may structure or operate our business. A failure by us to comply with our contractual obligations (including restrictive, financial and other covenants), or to pay our indebtedness and fixed costs under our current or future financing arrangements, including as a result of COVID-19, could result in a variety of material adverse consequences, including the acceleration of our indebtedness and the exercise of remedies by our creditors, and such defaults could trigger additional defaults under other agreements. In such a situation, it is unlikely that we would be able to repay the accelerated indebtedness or fulfill our obligations under certain contracts, or otherwise cover our fixed costs, and our future financial condition would be materially adversely affected.

Our degree of leverage could have a material adverse effect on our business and results of operations, including: limiting our ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes; restricting our flexibility and discretion to operate our business; limiting our ability to declare dividends on our securities; having to dedicate a portion of our cash flows from operations to the payment of interest on our existing indebtedness and not having such cash flows available for other purposes; exposing our business to debt capital market risks, including interest rate risk and refinancing risk at maturity; exposing us to increased interest expense on borrowings at variable rates; limiting our ability to adjust to changing market conditions; placing us at a competitive disadvantage compared to our competitors that have less debt; making us vulnerable in a downturn in general economic conditions; and making us unable to make expenditures that are important to our growth strategies.

***Laws and regulatory requirements including, but not limited to, trade, tax, employment, privacy, labour, health and safety, and environmental requirements may require costly expenditures and expose us to liability.***

We are subject to customs, tax, labour and employment, human rights, health and safety, cyber and data security, privacy, environmental, advertising, competition, product safety and other laws, including consumer protection regulations and zoning and occupancy ordinances that regulate retailers generally and/or govern the importation, promotion and sale of merchandise and the operation of our boutiques, offices and distribution facilities. Although we have measures designed to ensure compliance with governing statutes, laws, regulations and regulatory policies in the jurisdictions in which we conduct business, there is no assurance that we will be in compliance at all times. If our management, employees, contractors, suppliers, manufacturers or others fail to comply with any of these laws or regulations for any reason, we could become subject to enforcement actions or the imposition of significant penalties or claims, or suffer reputational harm, any of which could adversely affect our business. Additionally, although we undertake to monitor applicable laws, it is possible changes may be implemented or new laws or regulations may be introduced without our knowledge, creating a greater risk of non-compliance. The adoption of new laws or regulations or requirements for public companies or changes in the interpretation of existing laws or regulations may result in increased compliance costs and could make the ordinary conduct of our business more expensive or require us to change the way we do business. It is difficult for us to plan and prepare for potential changes to applicable laws, and future actions or expenses related to any such changes could be material to us. Political and economic factors could also lead to unfavourable changes in trade and tax laws, which may increase our tax liabilities and could have a material adverse effect on our

businesses and results of operations.

Further, there is heightened uncertainty as to the ultimate scope and duration of the COVID-19 pandemic and, as a result, government authorities have taken certain precautionary actions to mitigate the spread of the disease. These actions that have impacted our operations and any changes in regulations, the imposition of additional regulations or the enactment of any new or more stringent legislation could have a material adverse impact on our business and results of operations, including, but not limited to, the following: imposing restrictions on public gatherings and human interactions; requiring mandatory store closures or seeking voluntary store closures; incurring costs to comply with health and safety laws and regulations, including orders to limit the impact of COVID-19; restricting hours of store operations; imposing curfews; or restricting the import or export of products.

***There are claims made against us from time to time that can result in litigation that could distract management from our business activities and result in significant liability or damage to our brand.***

As a growing company with expanding operations, we increasingly face the risk of litigation and other claims against us. Litigation and other claims may arise in the ordinary course of our business and include employee and client claims, commercial disputes, landlord-tenant disputes, intellectual property issues, product-oriented allegations and personal injury claims. These claims can raise complex factual and legal issues that are subject to risks and uncertainties and could require significant management time. As we do sell products that are produced by third-party manufacturers, these products may expose us to various claims, including class action claims relating to merchandise that is subject to a product recall or liability claim. Litigation and other claims against us could result in unexpected expenses and liabilities, which could materially adversely affect our operations and our reputation.

***We may be subject to additional taxes, which could affect our operating results.***

We may be subject to assessments for additional taxes, including sales taxes, which could reduce our operating results. In determining our tax payment, collection and/or remittance, in taxing jurisdictions where we may or may not maintain a physical presence in accordance with current law, we are required to take various tax accounting and reporting positions on matters that are not entirely free from doubt and for which we have not received rulings from the governing authorities.

While we believe that we have appropriately remitted all taxes based on our interpretation of applicable law, it is possible that some taxing jurisdictions may attempt to assess additional taxes and penalties on us if the applicable authorities do not agree with our positions. A successful challenge by a tax authority, through asserting either an error in our calculation, or a change in the application of law or an interpretation of the law that differs from our own, could adversely affect the results of operations.

***Changes in U.S. tax laws and regulations or trade rules may impact our effective tax rate and may adversely affect our business, financial condition and operating results.***

Changes in tax laws, regulations and treaties in any of the multiple jurisdictions in which we operate, including changes as a result of COVID-19, or adverse outcomes from tax audits that we may be subject to in any of the jurisdictions in which we operate, could result in an unfavorable change in our effective tax rate, which could adversely affect our business, financial condition and results of operations. Significant judgment is required in evaluating and estimating our worldwide provision and accruals for taxes, and actual results may differ from our estimations. Additionally, results of the November 2016 U.S. elections have introduced greater uncertainty with respect to tax and trade policies, tariffs and government regulations affecting trade between the United States and other countries. Major developments in tax policy or trade relations, such as the renegotiation of NAFTA or the imposition of unilateral tariffs on imported products, could have a material adverse effect on our growth opportunities, business and results of operations.

In December 2017, the U.S. Tax Cut and Jobs Act of 2017 (the “**2017 Tax Act**”) significantly revised the current federal income tax code with significant changes to corporate taxation, including reducing the corporate tax rate, limiting certain tax deductions, revising the treatment of foreign earnings for U.S. federal income tax purposes and modifying or repealing many business deductions and credits. While the 2017

Tax Act reduces the federal income tax rate for corporations, it could negatively affect our business and financial condition. Many aspects of the 2017 Tax Act are uncertain. Significant judgments will need to be made in the interpretation of various provisions, and U.S. regulators could interpret or issue guidance that is different from our interpretation. In addition, it is uncertain if and to what extent various states will conform to the 2017 Tax Act, which could also impact our tax obligations.

***We are subject to insurance-related risks.***

We believe that we maintain insurance customary for businesses of our size and type, including liability insurance, property and business interruption insurance, directors' and officers' insurance, and cyber insurance, with deductibles, self-insured retentions, limits of liability and similar provisions. However, there is no guarantee that our insurance coverage will be sufficient, or that insurance proceeds will be paid to us on a timely basis. In addition, there are types of losses we may incur but against which we cannot be insured or which we believe are not economically reasonable to insure. If we incur these losses and they are material, our business, financial condition and results of operations may be adversely affected. Also, certain material events may result in sizable losses for the insurance industry and materially adversely impact the availability of adequate insurance coverage or result in significant premium increases. Accordingly, we may elect to self-insure, accept higher deductibles or reduce the amount of coverage in response to such market changes.

***We are subject to payment-related risks.***

We accept payments using a variety of methods, including credit cards, debit cards, PayPal, Apple Pay and gift cards. For existing and future payment methods we offer to our clients, we may become subject to additional regulations and compliance requirements, as well as fraud and reliance on third-party service providers. For certain payment methods, including credit and debit cards, we pay interchange and other fees, which may increase over time, raising our operating costs and lowering profitability. We rely on third-party service providers for payment processing services, including the processing of credit and debit cards. Our business may be negatively affected if these third-party service providers become unwilling or unable to provide these services to us. We are also subject to payment card brand operating rules, including the Payment Card Industry Data Security Standard, certification requirements and rules governing electronic funds transfers. If we fail to comply with these rules or requirements, or if our data security systems are breached or compromised, we may be liable for card issuing banks' costs, subject to fines and higher transaction fees and/or lose our ability to accept credit and debit card payments from our clients and process electronic funds transfers or facilitate other types of payments, and our business and operating results could be adversely affected.

***Anthropogenic hazards including geo-political events, war, acts of terrorism, civil disorder, engineering hazards, power outages, or fires which could affect our supply chain, business continuity, and financial results.***

Unstable political conditions or civil unrest, including terrorist activities, military and domestic disturbances and conflicts, engineering hazards, human made fire, and mass power outages may disrupt commerce, our supply chain operations, international trade or result in political or economic instability and could have a material adverse effect on our business and results of operations. The mentioned conditions, hazards, or events could result in a reduction in the trading price of the Subordinate Voting Shares.

***Natural disasters, including earthquakes, extreme and/or unusual weather, wildfires, global health crises, disease outbreaks (including COVID-19) and other unexpected events which could affect our supply chain, business continuity, and financial results.***

Our boutiques, support office, distribution centers, infrastructure projects and digital operations, as well as the operations of our vendors and manufacturers, are vulnerable to disruption from natural disasters, extreme and/or unusual weather, wildfires, global health crises, disease outbreaks (including COVID-19), and other unexpected events. These events could cause, and in the case of COVID-19, have already caused and are expected to continue to cause for the foreseeable future, disruptions in the operations of

our corporate offices, global stores and supply chain and those of our third-party partners, including our vendors and manufacturers. In addition to impacts on global operations, these events could result in the potential loss of clients and revenues as a result of boutique closures, delay in merchandise deliveries, reduced consumer confidence or changes in consumers' discretionary spending habits.

These events could reduce the availability and quality of the fabrics or other raw materials used to manufacture our merchandise, which could result in delays in responding to consumer demand resulting in the potential loss of customers and revenues or we may incur increased costs to meet demand and may not be able to pass all or a portion of higher costs on to our clients, which could adversely affect our gross margin and results of our operations.

We could also be adversely affected if government authorities impose mandatory store closures or restrict the import or export of products in response to an unexpected event such as a disease outbreak, each of which has already occurred as a result of COVID-19. Even if such measures are not implemented or the disease outbreak does not spread significantly, the perceived risk of infection or health risk may adversely affect our business and operating results.

Given the Temporary Closures, we have seen, and expect to continue to see, a direct, material adverse impact to revenues and operations as a result of COVID-19. At present, there is significant uncertainty relating to the ultimate impact COVID-19 will have on the our business and the Company could experience further adverse impacts as the scope of COVID-19 evolves or if the duration of business disruptions from the pandemic continues longer than initially anticipated, either of which could further adversely impact our business, financial condition and results of operations.

Extreme weather conditions in the areas in which our boutiques are located could adversely affect our business. For example, frequent or unusually heavy snowfall, ice storms, rainstorms or other extreme weather conditions over a prolonged period could make it difficult for our clients to travel to our boutiques and thereby reduce our revenue and profitability as our business depends on high client conversion. Our business is also susceptible to unseasonable weather conditions. For example, extended periods of unseasonably warm temperatures during the winter season or cool weather during the summer season could render a portion of our inventory incompatible with those unseasonable conditions, which could adversely affect our ability to execute our strategy to effectively present seasonal inventory. Reduced revenue from extreme or prolonged unseasonable weather conditions could adversely affect our business.

In addition, natural disasters such as hurricanes, tornadoes and earthquakes, or a combination of these or other factors, could severely damage or destroy one or more of our boutiques, support offices or warehouses located in the affected areas, thereby disrupting our business operations.

***We are dependent on the operations and financial performance of our subsidiaries.***

Aritzia is a holding company that conducts its business through subsidiaries which generate substantially all of our revenues. As a result, our financial performance and ability to meet financial obligations is dependent on the operating results and revenues of our subsidiaries, and the distribution of those earnings to Aritzia. In the event of a liquidation or bankruptcy of any of our subsidiaries, lenders and trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to Aritzia.

***Our financial performance may be impacted by inventory shrinkage.***

We are subject to the risk of inventory loss and administrative errors, including mishandling, damage, and internal and external theft and fraud. Inventory shrinkage is a cost of doing business for retailers. Although we have and continue to implement processes to limit inventory loss, if we experience higher rates of inventory shrinkage or incur increased security costs to manage inventory, our financial performance could be adversely affected.

***Increases in the cost of employee benefits could impact our financial results and cash flow.***

Unfavorable changes in the cost of employee health benefits could negatively affect our financial results and cash flow. Healthcare costs have risen significantly in recent years in the United States, and recent legislative and private sector initiatives regarding healthcare reform have resulted and could continue to result in significant changes to the U.S. healthcare system in particular. Due to uncertainty regarding legislative or regulatory changes, we are not able to fully determine the impact that future healthcare reform will have on our company-sponsored medical plans. Furthermore, the prevalence of COVID-19 will likely increase private healthcare costs as more people will have to rely on their healthcare coverage and governments implement COVID-19 related healthcare legislation and employer requirements.

***Parties with whom we do business with may be subject to insolvency risks or may otherwise become unable or unwilling to perform their obligations to us.***

We are party to contracts, transactions and business relationships with various third parties, pursuant to which such third parties have performance, payment and other obligations to us. If any of these third parties were to become subject to bankruptcy, receivership or similar proceedings, our rights and benefits in relation to our contracts, transactions and business relationships with such third parties could be terminated, modified in a manner adverse to us, or otherwise impaired. We cannot make any assurances that we would be able to arrange for alternate or replacement contracts, transactions or business relationships on terms as favorable as our existing contracts, transactions or business relationships, if at all. Any inability on our part to do so could have a material adverse effect on our business and results of operations.

***Changes in accounting standards and subjective assumptions, estimates and judgments by management related to complex accounting matters could significantly affect our reported financial results or financial condition.***

Generally accepted accounting principles and related accounting pronouncements, implementation guidelines and interpretations with regard to a wide range of matters that are relevant to our business, including but not limited to revenue recognition, impairment of assets, leases, inventory, income taxes and litigation, are highly complex and involve many subjective assumptions, estimates and judgments. Changes in these rules or their interpretation or changes in underlying assumptions, estimates or judgments could significantly change our reported financial performance or financial condition in accordance with generally accepted accounting principles.

***Our business could be adversely affected by protestors or activists.***

Our products include certain animal products, including wool, goose down, cashmere mohair and leather, which are key materials in our fall and winter collections. We do not use any fur or angora in our products. We use responsibly sourced goose down in our jackets and parkas, and recently introduced vegan alternatives to these products. In addition, we are increasing the sourcing of more responsible wool yarns and fabrics. We have in place a Materials Sourcing Policy to uphold animal welfare standards in the supply chain which is communicated to all our suppliers. Nevertheless, the use of certain raw materials could draw the attention of animal welfare activists or other social reform movements seeking to change business practices by bringing public awareness to issues through protests and/or social media campaigns. Ineffective action or perceived inaction to such protests pertaining to our industry and business could adversely affect our reputation or financial performance.

***Business impacts of climate change***

As climate change accelerates, its impacts are becoming more widespread and unpredictable. Both its short-term and long-term impacts are uncertain but could result in negative impacts to Aritzia both physically and financially. The incidence and impact of severe weather-related events, long term changes in weather patterns that lead to flooding, rising sea levels, as well as diminishing fresh water



availability, may impact operations and supply chains in the textile manufacturing industry as well as global logistics, distribution and retail operations. Furthermore, evolving regulatory and legal frameworks to tackle climate change today and in the future may lead to adverse impacts to our business. These may include, but are not limited to, costs related to compliance, resources, and transportation.

### ***Reputational risk as result of third-party supplier social and environmental performance***

We may face reputational damage as a result of third-party supplier performance. Independent suppliers, operating in countries including China, Vietnam, and India manufacture our products while we source raw materials from countries including China, Japan, Italy and South Korea amongst others. Local and national labour and environmental laws as well as the Supplier Code of Conduct govern our suppliers. This is reinforced by supplier audits, the adoption of environmental stewardship assessments (Higg FEM, an industry best practice) and any resulting non-compliance remediation. Expectations of social and environmental best practices may be substantially more demanding than applicable legal or domestic requirements which can complicate compliance monitoring of independent suppliers. In addition, stakeholder expectations may be driven by diverse groups active in publicizing and organizing public responses to social and environmental impacts or violations. Accordingly, we cannot predict how such expectations might develop in the future and cannot be certain that our guidelines would satisfy all stakeholders. This could subsequently result in brand trust or reputation erosion.

### ***Supply chain transparency***

Apparel manufacturing supply chains are notoriously complex with poor visibility down to commodity level raw materials. As a result, it is challenging to have full visibility of social, environmental and other standards in place in lower tiers of the supply chain, particularly where we do not have direct business relationships. Social, environmental and other malpractice allegations at such tiers in the supply chain often target the industry at large. For example, allegations regarding animal welfare or state sponsored forced labour in farms. It can be difficult to determine the extent of the specific risk to our supply chain and therefore challenging to respond to the allegation in detail. Ineffective action or perceived inaction to such protests pertaining to our industry and business could adversely affect our reputation or financial performance.

## **Risks Related to Ownership of Our Shares**

### ***Our dual class structure has the effect of concentrating voting control with certain Shareholders.***

Our Multiple Voting Shares have 10 votes per share and our Subordinate Voting Shares have one vote per share. The Hill Shareholder holds all of our issued and outstanding Multiple Voting Shares and has the right to nominate one director to our board of directors (our “**Board**”) under the Investor Rights Agreement (as defined below). As at May 27, 2020, the Hill Shareholder has approximately 22.8% of our total issued and outstanding Shares and approximately 74.5% of the voting power attached to all of the Shares. As a result, the Hill Shareholder has a significant influence over us, including election of directors and significant corporate transactions.

In addition, because of the 10-to-1 voting ratio between our Multiple Voting Shares and Subordinate Voting Shares, the Hill Shareholders will continue to control a majority of the combined voting power of our voting Shares even where the Multiple Voting Shares represent a substantially reduced percentage of our total outstanding Shares. The concentrated voting control of holders of our Multiple Voting Shares will limit the ability of holders of Subordinate Voting Shares to influence corporate matters for the foreseeable future, including the election of directors as well as with respect to decisions regarding amendment of our share capital, creating and issuing additional classes of shares, making significant acquisitions, selling significant assets or parts of our business, merging with other companies and undertaking other significant transactions. As a result, holders of Multiple Voting Shares will have the ability to influence many matters affecting us and actions may be taken that holders of Subordinate Voting Shares may not view as beneficial. The market price of our Subordinate Voting Shares could be adversely affected due to the significant influence and voting power of the Hill Shareholders. Additionally, the significant voting interest of Hill

Shareholders may discourage transactions involving a change of control, including transactions in which an investor, as a holder of the Subordinate Voting Shares, might otherwise receive a premium for the Subordinate Voting Shares over the then-current market price, or discourage competing proposals if a going private transaction is proposed by one or more holders of Multiple Voting Shares.

***The actions of activist stockholders could negatively impact our business and such activism could cause the price of our Subordinate Voting Shares to decline.***

We may be subject to legal and business challenges in the operation of our business due to actions instituted by activist shareholders or others. Responding to such actions can be costly and time-consuming, disrupting our operations and diverting the attention of management and our employees. Such investor activism could result in uncertainty of the direction of Aritzia, substantial costs and diversion of management's attention and resources, which could harm our business, hinder execution of our business strategy and initiatives, create adverse volatility in the market price and trading volume of our Subordinate Voting Shares, and make it difficult to attract and retain qualified personnel and business partners. In addition, a proxy contest for the election of directors at our annual meeting would require us to incur significant legal fees and proxy solicitation expenses and require significant time and attention by management and our Board.

***The market price for Subordinate Voting Shares may be volatile and your investment could suffer a decline in value.***

The market price of our Subordinate Voting Shares could be subject to significant fluctuations which could materially reduce the market price of our Subordinate Voting Shares regardless of our operating performance. In addition to the other risk factors described in this section of this Annual Information Form, such factors include actual or anticipated changes or fluctuations in our operating results, adverse market reaction to any indebtedness we may incur or securities we may issue in the future, litigation or regulatory action, significant acquisitions, business combinations or other strategic actions or capital commitments by or involving us or our competitors, sales of our securities by the Hill Shareholders, recruitment or departure of key personnel and investors' general perception and reactions to our public disclosure and filings.

In addition, broad market and industry factors may harm the market price of our Subordinate Voting Shares. As a result, the market price of our Subordinate Voting Shares may fluctuate based upon factors external to us and that may have little or nothing to do with us, including expectations of market analysts, positive or negative recommendations or withdrawal of research coverage by analysts, publication of research reports or news stories about us, our competitors or our industry and changes in general political, economic, industry and market conditions and trends.

***Future sales of our securities by existing Shareholders or by us could cause the market price for our Subordinate Voting Shares to fall.***

Sales of a substantial number of our Subordinate Voting Shares in the public market could occur at any time. These sales, or the market perception that the holders of a large number of Subordinate Voting Shares intend to sell Subordinate Voting Shares, could significantly reduce the market price of our Subordinate Voting Shares and the market price could decline. We cannot predict the effect, if any, that future public sales of these securities or the availability of these securities for sale will have on the market price of our Subordinate Voting Shares. If the market price of our Subordinate Voting Shares was to drop as a result, this might impede our ability to raise additional capital and might cause remaining Shareholders to lose all or part of their investments.

In addition, certain of our Shareholders have certain rights under the Second Amended and Restated Registration Rights Agreement to require us to file a prospectus covering their registrable securities or to include their registrable securities in prospectuses that we may file for ourselves or on behalf of other Shareholders.

The intentions of the Hill Shareholders regarding their long-term economic ownership are subject to change, with the result that such Shareholders may sell more or less Subordinate Voting Shares than

currently intended. Factors that could cause the Hill Shareholders' current intentions to change include changes in the personal circumstances of Brian Hill or his family or estate planning for Brian Hill, our succession planning or changes in our management, changes in tax laws, market conditions and our financial performance.

Further, we cannot predict the size of future issuances of our Subordinate Voting Shares or the effect, if any, that future issuances and sales of our Subordinate Voting Shares will have on the market price of our Subordinate Voting Shares. Sales of substantial amounts of our Subordinate Voting Shares, or the perception that such sales could occur, may adversely affect prevailing market prices for our Subordinate Voting Shares.

***We do not expect to pay any cash dividends for the foreseeable future.***

We currently expect to retain all available funds and future earnings, if any, for use in the operation and growth of our business and do not anticipate paying any cash dividends in the foreseeable future. Any future determination to pay dividends will be at the discretion of our Board, subject to compliance with applicable law and any contractual provisions, including under the Credit Agreement and other agreements for indebtedness we may incur, that restrict or limit our ability to pay dividends, and will depend upon, among other factors, our results of operations, financial condition, earnings, capital requirements and other factors that our Board deems relevant.

***Any issuance of preferred shares could make it difficult for another company to acquire us or could otherwise adversely affect holders of our Shares, which could depress the price of our Subordinate Voting Shares.***

Our Board has the authority to issue preferred shares and to determine the preferences, limitations and relative rights of preferred shares and to fix the number of shares constituting any series and the designation of such series, without any further vote or action by our Shareholders. Our preferred shares could be issued with liquidation, dividend and other rights superior to the rights of our Shares. The potential issuance of preferred shares may delay or prevent a change in control of us, discourage bids for our Shares at a premium over the market price and adversely affect the market price and other rights of the holders of our Shares.

***If securities or industry analysts cease to publish research or publish inaccurate or unfavorable research about us or our business, our trading price and volume could decline.***

The trading market for our Subordinate Voting Shares depends in part on the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts who cover us downgrade our Subordinate Voting Shares or publish inaccurate or unfavorable research about our business, our trading price may decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our Subordinate Voting Shares could decrease, which could cause our trading price and volume to decline.

## **DIVIDEND POLICY**

We currently intend to retain any future earnings to fund the development and growth of our business and do not currently anticipate paying dividends on the Shares. Any determination to pay dividends in the future will be at the discretion of our Board and will depend on many factors, including, among others, our financial condition, current and anticipated cash requirements, contractual restrictions and financing agreement covenants including those under the Credit Agreement, solvency tests imposed by applicable corporate law and other factors that our Board may deem relevant.

## **DESCRIPTION OF CAPITAL STRUCTURE**

The following is a summary of the material attributes and characteristics of the Company's authorized

share capital. This summary is qualified by reference to, and is subject to, and the detailed provisions of our articles (“**Articles**”) available under the Company’s profile on SEDAR at [www.sedar.com](http://www.sedar.com).

The Subordinate Voting Shares are considered “restricted securities” within the meaning of such term under applicable securities laws in Canada.

Our authorized share capital consists of an unlimited number of Subordinate Voting Shares and Multiple Voting Shares and an unlimited number of preferred shares, issuable in series. As at May 27, 2020, there were 84,810,562 Subordinate Voting Shares issued and outstanding, 24,537,349 Multiple Voting Shares issued and outstanding, and no preferred shares issued and outstanding. As of the date hereof, 100% of the Multiple Voting Shares are held by the Hill Shareholders. Berkshire and its Affiliates no longer hold any equity interest in the Company.

With respect to the Hill Shareholders, “**Permitted Holder**” means any of (i) Brian Hill and any Members of the Immediate Family of Brian Hill and, (ii) any Person controlled, directly or indirectly by one or more of the Persons referred to in clause (i) above. “**Members of the Immediate Family**” means with respect to any individual, each parent (whether by birth or adoption), spouse, or child (including any step-child) or other descendants (whether by birth or adoption) of such individual, each spouse of any of the aforementioned Persons, each trust created solely for the benefit of such individual and/or one or more of the aforementioned Persons and each legal representative of such individual or of any aforementioned Persons (including without limitation a tutor, curator, mandatary due to incapacity, custodian, guardian or testamentary executor), acting in such capacity under the authority of the law, an order from a competent tribunal, a will or a mandate in case of incapacity or similar instrument. For the purposes of this definition, a Person shall be considered the spouse of an individual if such Person is legally married to such individual, lives in a civil union with such individual or is the common law partner (as defined in the Tax Act as amended from time to time) of such individual. A Person who was the spouse of an individual within the meaning of this paragraph immediately before the death of such individual shall continue to be considered a spouse of such individual after the death of such individual.

## **Subordinate Voting Shares and Multiple Voting Shares**

### ***Rank***

The Subordinate Voting Shares and Multiple Voting Shares rank *pari passu* with respect to the payment of dividends, return of capital and distribution of assets in the event of our liquidation, dissolution or winding-up.

### ***Dividend Rights***

Holders of Subordinate Voting Shares and Multiple Voting Shares are entitled to receive dividends on a *pari passu* basis out of our assets legally available for the payment of dividends at such times and in such amount and form as our Board may from time to time determine, subject to any preferential rights of the holders of any outstanding preferred shares. In the event of the payment of a dividend in the form of Shares, holders of Subordinate Voting Shares will receive Subordinate Voting Shares and holders of Multiple Voting Shares will receive Multiple Voting Shares unless otherwise determined by our Board.

### ***Voting Rights***

Holders of Multiple Voting Shares are entitled to 10 votes per Multiple Voting Share, and holders of Subordinate Voting Shares are entitled to one vote per Subordinate Voting Share on all matters upon which holders of Shares are entitled to vote. See also “– Certain Amendments” below. As of May 27, 2020, 100% of the Multiple Voting Shares are held by the Hill Shareholders. Berkshire and its Affiliates no longer hold any equity interest in the Company. The Subordinate Voting Shares represent approximately 77.6% of our total issued and outstanding Shares and approximately 25.7% of the voting power attached to all of our Shares.

### ***Conversion***

The Subordinate Voting Shares are not convertible into any other class of shares. Each outstanding Multiple Voting Share may at any time, at the option of the holder, be converted into one Subordinate Voting Share. Upon the first date that any Multiple Voting Share shall be held by a Person other than by a Permitted Holder, the Permitted Holder which held such Multiple Voting Share until such date, without any further action, shall automatically be deemed to have exercised his, her or its rights to convert such Multiple Voting Share into a fully paid and non-assessable Subordinate Voting Share.

All of the Multiple Voting Shares held by the Permitted Holders will convert automatically into Subordinate Voting Shares at such time that is the earlier to occur of the following (i) the Permitted Holders that hold Multiple Voting Shares no longer as a group beneficially own, directly or indirectly and in the aggregate, at least 8% of the issued and outstanding Shares on a non-diluted basis, and (ii) Brian Hill is no longer serving as a director or in a senior management position of Aritzia.

### ***Meetings of Shareholders***

Holders of Multiple Voting Shares and Subordinate Voting Shares will be entitled to receive notice of any meeting of our Shareholders and may attend and vote at such meetings, except those meetings where only the holders of shares of another class or of a particular series are entitled to vote. A quorum for the transaction of business at a meeting of Shareholders is present if Shareholders who, together, hold not less than 15% of the votes attaching to our outstanding voting shares entitled to vote at the meeting are present in person or represented by proxy.

### ***Pre-Emptive and Redemption Rights***

Holders of Subordinate Voting Shares have no pre-emptive or redemption rights. Holders of Multiple Voting Shares have no pre-emptive or redemption rights under our Articles, however they are entitled to certain pre-emptive rights to subscribe for additional Multiple Voting Shares provided for in the Investor Rights Agreement. Further information regarding pre-emptive rights provided for in the Investor Rights Agreement is described under "Material Contracts".

### ***Liquidation Rights***

Upon our liquidation, dissolution or winding-up, whether voluntary or involuntary, the holders of Subordinate Voting Shares and Multiple Voting Shares, without preference or distinction, will be entitled to receive rateably all of our assets remaining after payment of all debts and other liabilities, subject to any preferential rights of the holders of any outstanding preferred shares.

### ***Subdivision, Consolidation and Issuance of Rights***

No subdivision or consolidation of the Subordinate Voting Shares or Multiple Voting Shares may occur unless the shares of both classes are concurrently subdivided or consolidated and in the same manner and proportion. Other than as described in this Annual Information Form, no new rights to acquire additional shares or other securities or property of ours will be issued to holders of Subordinate Voting Shares or Multiple Voting Shares unless the same rights are concurrently issued to the holders of shares of both classes.

### ***Effect of Certain Amendments***

In addition to any other voting right or power to which the holders of Subordinate Voting Shares shall be entitled by law or regulation or other provisions of our Articles from time to time in effect, but subject to the provisions of our Articles, holders of Subordinate Voting Shares shall be entitled to vote separately as a class, in addition to any other vote of Shareholders that may be required, in respect of any alteration, repeal or amendment of our Articles which would adversely affect the rights or special rights of the holders of Subordinate Voting Shares or affect the holders of Subordinate Voting Shares and Multiple Voting Shares differently, on a per share basis, including an amendment to the terms of our Articles that provide that any Multiple Voting Shares sold or transferred to a Person that is not a Permitted Holder shall be automatically converted into Subordinate Voting Shares.

Pursuant to our Articles, holders of Subordinate Voting Shares and Multiple Voting Shares will be treated equally and identically, on a per share basis, in certain change of control transactions that require approval of our Shareholders under the BCBCA, unless different treatment of the shares of each such class is approved by a majority of the votes cast by the holders of our Subordinate Voting Shares and Multiple Voting Shares, each voting separately as a class.

### ***Issuance of Additional Multiple Voting Shares***

Subject to the pre-emptive right to subscribe for Multiple Voting Shares provided to holders of Multiple Voting Shares, we may not issue Multiple Voting Shares without the approval of at least two-thirds of the votes cast at a meeting of the holders of Subordinate Voting Shares duly held for that purpose. However, approval is not required in connection with a subdivision or consolidation on a pro rata basis as between the Subordinate Voting Shares and the Multiple Voting Shares or the issuance of Multiple Voting Shares upon the exercise of the Rights to Subscribe (as such term is defined below under “Material Contracts – Investor Rights Agreement – Pre-Emptive Rights”). Any further issuances of Subordinate Voting Shares or Multiple Voting Shares will result in immediate dilution to existing Shareholders and may have an adverse effect on the value of their shareholdings. See “Risk Factors – Future sales of our securities by existing Shareholders or optionholders or by us could cause the market price for our Subordinate Voting Shares to fall.”

### ***Take-over Bid Protection***

Under applicable securities laws in Canada, an offer to purchase Multiple Voting Shares would not necessarily require that an offer be made to purchase Subordinate Voting Shares. In accordance with the rules of the TSX designed to ensure that, in the event of a take-over bid, the holders of Subordinate Voting Shares will be entitled to participate on an equal footing with holders of Multiple Voting Shares, we have entered into a customary coattail agreement dated October 3, 2016 with the holders of the Multiple Voting Share on the date thereof and a trustee (the “**Coattail Agreement**”). The Coattail Agreement contains provisions customary for dual class, TSX-listed corporations designed to prevent transactions that otherwise would deprive the holders of Subordinate Voting Shares of rights under applicable securities laws in Canada to which they would have been entitled if the Multiple Voting Shares had been Subordinate Voting Shares. The undertakings in the Coattail Agreement do not apply to prevent a sale by the holders of Multiple Voting Shares or their Permitted Holders of Multiple Voting Shares if concurrently an offer is made to purchase Subordinate Voting Shares that:

- (a) offers a price per Subordinate Voting Share at least as high as the highest price per share to be paid pursuant to the take-over bid for the Multiple Voting Shares;
- (b) provides that the percentage of outstanding Subordinate Voting Shares to be taken up (exclusive of shares owned immediately prior to the offer by the offeror or persons acting jointly or in concert with the offeror) is at least as high as the percentage of Multiple Voting Shares to be sold (exclusive of Multiple Voting Shares owned immediately prior to the offer by the offeror and persons acting jointly or in concert with the offeror);
- (c) has no condition attached other than the right not to take up and pay for Subordinate Voting Shares tendered if no shares are purchased pursuant to the offer for Multiple Voting Shares; and
- (d) is in all other material respects identical to the offer for Multiple Voting Shares.

In addition, the Coattail Agreement does not prevent the transfer of Multiple Voting Shares by the Hill Shareholders to the Permitted Holders, provided such transfer is not or would not have been subject to the requirements to make a take-over bid (if the vendor or transferee were in Canada) or constitutes or would be exempt from certain requirements applicable to take-over bids under applicable securities laws in Canada. The conversion of Multiple Voting Shares into Subordinate Voting Shares, whether or not such Subordinate Voting Shares are subsequently sold, does not constitute a disposition of Multiple Voting Shares for the purposes of the Coattail Agreement.

Under the Coattail Agreement, any sale of Multiple Voting Shares (including a transfer to a pledgee

as security) by a holder of Multiple Voting Shares party to the Coattail Agreement is conditional upon the transferee or pledgee becoming a party to the Coattail Agreement, to the extent such transferred Multiple Voting Shares are not automatically converted into Subordinate Voting Shares in accordance with our Articles.

The Coattail Agreement contains provisions for authorizing action by the trustee to enforce the rights under the Coattail Agreement on behalf of the holders of the Subordinate Voting Shares. The obligation of the trustee to take such action is conditional on us or holders of the Subordinate Voting Shares providing such funds and indemnity as the trustee may reasonably require. No holder of Subordinate Voting Shares has the right, other than through the trustee, to institute any action or proceeding or to exercise any other remedy to enforce any rights arising under the Coattail Agreement unless the trustee fails to act on a request authorized by holders of not less than 10% of the outstanding Subordinate Voting Shares and reasonable funds and indemnity have been provided to the trustee.

Other than in respect of non-material amendments and waivers that do not adversely affect the interests of holders of Subordinate Voting Shares, the Coattail Agreement provides that, among other things, it may not be amended, and no provision thereof may be waived, unless, prior to giving effect to such amendment or waiver, the following have been obtained: (a) the consent of the TSX and any other applicable securities regulatory authority in Canada; and (b) the approval of at least two-thirds of the votes cast by holders of Subordinate Voting Shares represented at a meeting duly called for the purpose of considering such amendment or waiver, excluding votes attached to Subordinate Voting Shares held by the holders of Multiple Voting Shares or their affiliates and related parties and any persons who have an agreement to purchase Multiple Voting Shares on terms which constitute a sale or disposition for purposes of the Coattail Agreement, other than as permitted thereby.

No provision of the Coattail Agreement limits the rights of any holders of Subordinate Voting Shares under applicable law.

### **Preferred Shares**

The preferred shares may at any time and from time to time be issued in one or more series. Subject to the provisions of the BCBCA and our Articles, our Board may, by resolution, from time to time before the issue thereof determine the maximum number of shares of each series, create an identifying name for each series, attach special rights or restrictions to the preferred shares of each series including, without limitation, any right to receive (which may be cumulative or non-cumulative and variable or fixed) or the means of determining such dividends, the dates of payment thereof, any terms or conditions of redemption or purchase, any conversion rights, any retraction rights, any rights on our liquidation, dissolution or winding up and any sinking fund or other provisions, the whole to be subject to filing a Notice of Alteration to our Articles to create the series and altering our Articles to include the special rights or restrictions attached to the preferred shares of the series. Except as provided in any special rights or restrictions attaching to any series of preferred shares issued from time to time, the holders of preferred shares will not be entitled to receive notice of, attend or vote at any meeting of Shareholders.

Preferred shares of each series, if and when issued, will, with respect to the payment of dividends, rank on a parity with the preferred shares of every other series and be entitled to preference over the Subordinate Voting Shares and the Multiple Voting Shares and any other of our shares ranking junior to the preferred shares with respect to payment of dividends.

In the event of our liquidation, dissolution or winding-up, whether voluntary or involuntary, the holders of preferred shares will be entitled to preference with respect to distribution of our property or assets over the Subordinate Voting Shares and the Multiple Voting Shares and any other of our shares ranking junior to the preferred shares with respect to the repayment of capital paid up on and the payment of unpaid dividends accrued on the preferred shares. We currently anticipate that there will be no pre-emptive, subscription, redemption or conversion rights attaching to any series of preferred shares issued from time to time.

### **Advance Notice Provisions**

We have included certain advance notice provisions with respect to the election of our directors in our

Articles (the “**Advance Notice Provisions**”). The Advance Notice Provisions are intended to: (i) facilitate orderly and efficient annual general meetings or, where the need arises, special meetings; (ii) ensure that all Shareholders receive adequate notice of Board nominations and sufficient information with respect to all nominees; and (iii) allow Shareholders to register an informed vote. Only persons who are nominated by Shareholders in accordance with the Advance Notice Provisions will be eligible for election as directors at any annual meeting of Shareholders, or at any special meeting of Shareholders if one of the purposes for which the special meeting was called was the election of directors.

Under the Advance Notice Provisions, a Shareholder wishing to nominate a director would be required to provide us notice, in the prescribed form, within the prescribed time periods. These time periods include, (i) in the case of an annual meeting of Shareholders (including annual and special meetings), not less than 30 days prior to the date of the annual meeting of Shareholders; provided, that if the first public announcement of the date of the annual meeting of Shareholders (the “**Notice Date**”) is less than 50 days before the meeting date, not later than the close of business on the 10th day following the Notice Date; and (ii) in the case of a special meeting (which is not also an annual meeting) of Shareholders called for any purpose which includes electing directors, not later than the close of business on the 15th day following the Notice Date, provided that, in either instance, if notice-and-access (as defined in National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer*) is used for delivery of proxy related materials in respect of a meeting described above, and the Notice Date in respect of the meeting is not less than 50 days prior to the date of the applicable meeting, the notice must be received not later than the close of business on the 40th day before the applicable meeting.

## Forum Selection

We have included a forum selection provision in our Articles that provides that, unless we consent in writing to the selection of an alternative forum, the Supreme Court of British Columbia, Canada and the appellate courts therefrom, will be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf; (ii) any action or proceeding asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, or other employees to us; (iii) any action or proceeding asserting a claim arising pursuant to any provision of the BCBCA or our Articles; or (iv) any action or proceeding asserting a claim otherwise related to the relationships among us, our affiliates and their respective Shareholders, directors and/or officers, but excluding claims related to our business or such affiliates. The forum selection provision also provides that our securityholders are deemed to have consented to personal jurisdiction in the Province of British Columbia and to service of process on their counsel in any foreign action initiated in violation of the foregoing provisions.

## MARKET FOR SECURITIES

### Trading Price and Volume

The Subordinate Voting Shares are listed on the TSX and are traded under the symbol “ATZ”. The high and low reported trading price and volumes of Subordinate Voting Shares on the TSX on a monthly basis for each of the months during Fiscal 2020 (commencing on March 4, 2019 and ending on March 1, 2020) were as follows:

Month	High	Low	Volume
March 2020 (ending March 1, 2020) .....	\$-	\$-	-
February 2020 .....	\$26.12	\$22.12	4,276,916
January 2020 .....	\$25.30	\$19.06	6,478,468
December 2019 .....	\$19.21	\$18.68	2,188,375
November 2019 .....	\$19.50	\$18.49	3,559,271
October 2019 .....	\$19.23	\$15.94	8,865,005
September 2019 .....	\$17.63	\$16.55	4,636,176
August 2019.....	\$18.24	\$16.85	3,956,099
July 2019 .....	\$18.29	\$16.39	5,111,898



Month	High	Low	Volume
June 2019 .....	\$18.56	\$16.39	6,558,809
May 2019 .....	\$19.45	\$17.75	9,050,112
April 2019.....	\$19.43	\$17.96	5,530,275
March 2019.....	\$17.96	\$16.11	9,361,040

## DIRECTORS AND OFFICERS

The names and jurisdiction of residence of the directors and executive officers of the Company, their respective positions and offices held with the Company and their principal occupation for the last five or more years are shown below as at the date hereof. Directors are elected to serve until the next annual meeting or until their successors are elected or appointed, unless their office is earlier vacated.

Name, Province or State and Country of Residence	Current Position/Office with the Company	Held Since	Principal Occupation During the Previous Five Years
Brian Hill <i>British Columbia, Canada</i>	Founder, Chief Executive Officer, Chairman of the Board and Director	2005	Founder and Chief Executive Officer of Aritzia.
Jennifer Wong <i>British Columbia, Canada</i>	President, Chief Operating Officer, Corporate Secretary and Director	2015	President and Chief Operating Officer of Aritzia since June 2015; previously, Chief Operating Officer of Aritzia from May 2007 to May 2015.
Aldo Bensadoun <sup>2,3</sup> <i>Québec, Canada</i>	Director	2012	Executive Chairman of Aldo, a leading fashion retailer of footwear and accessories, until 2017.
John E. Currie <sup>1,2,3</sup> <i>British Columbia, Canada</i>	Director	2016	Corporate Director; Chief Financial Officer of lululemon athletica inc. from 2007 until retirement in 2015; Director, Vancouver Airport Authority since November 2012; and director of various privately held companies.
Ryan Holmes <sup>3</sup> <i>British Columbia, Canada</i>	Director	2016	Chief Executive Officer of Hootsuite, a company that provides social media management tools for businesses.
David Labistour <sup>1,3</sup> <i>British Columbia, Canada</i>	Director	2016	Chief Executive Officer of Mountain Equipment Co-Operative, Canada's leading outdoor gear co-op retailer, until 2019.
John Montalbano <sup>2,3</sup> <i>British Columbia, Canada</i>	Director	2019	Principal of Tower Beach Capital Ltd., a private enterprise focused on venture capital investments; Director of various privately held companies.
Marni Payne <sup>2,3</sup> <i>Massachusetts, United States</i>	Director	2013	Managing director of Berkshire Partners, a leading private equity investment firm.
Glen Senk <sup>3</sup> <i>Florida, United States</i>	Director	2016	Chairman and Chief Executive Officer of Front Row Partners, a private investment

Name, Province or State and Country of Residence	Current Position/Office with the Company	Held Since	Principal Occupation During the Previous Five Years
			firm; previously, Chief Executive Officer of David Yurman from 2012 to 2014 and Chief Executive Officer of Urban Outfitters from 2007 to 2012.
Marcia Smith <sup>1,3</sup> <i>British Columbia, Canada</i>	Director	2018	Senior Vice President, Sustainability and External Affairs of Teck Resources Limited since 2012.
Todd Ingledew <i>British Columbia, Canada</i>	Chief Financial Officer	2016	Chief Financial Officer of Aritzia; previously, President of Steve Nash Fitness World & Sports Club from December 2014 to June 2016, after serving as its Chief Financial Officer from January 2011 to December 2014.
Dave MacIver <i>British Columbia, Canada</i>	Chief Information Officer	2016	Chief Information Officer of Aritzia since 2016; previously Executive Vice President, Information Technology of Aritzia from November 2011 to July 2016.
Pippa Morgan <i>British Columbia, Canada</i>	Executive Vice President, Retail	2010	Executive Vice President, Retail of Aritzia.
Karen Kwan <i>British Columbia, Canada</i>	Chief People & Culture Officer	2017	Chief People & Culture Officer of Aritzia; previously Vice President of People & Culture and Chief of Staff of lululemon athletica from August 2016 to October 2017, after serving as its Vice President, People Potential and Talent Acquisition – Global Store Support Centres from February 2016 to August 2016, Director, People Potential – Global Store Support Centres from September 2014 to February 2016, and Director, People Potential and Talent Acquisition from January 2013 to September 2014.

Notes:

- (1) Member of our Audit Committee.
- (2) Member of our Compensation and Nominating Committee.
- (3) Independent director for the purposes of National Instrument 58-101 – *Disclosure of Corporate Governance Practices* of the Canadian Securities Administrators.

### **Ownership Interest**

As of May 27, 2020, our directors and executive officers, as a group, beneficially own, or control or direct, directly or indirectly, (i) 23.1% of our issued and outstanding Shares, and (ii) approximately 74.5% of the voting power attached to all of the issued and outstanding Shares.

### **Cease Trade Orders**

To the knowledge of the Company, no director or executive officer of the Company (nor any personal holding company of any of such individuals) is, as of the date of this Annual Information Form, or was within ten years before the date of this Annual Information Form, a director, chief executive officer or chief financial

officer of any company (including the Company), that: (i) was subject to a cease trade order (including a management 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, in each case that was in effect for a period of more than 30 consecutive days (collectively, an “**Order**”), that was issued while the individual was acting in the capacity as a director, chief executive officer or chief financial officer; or (ii) was subject to an Order that was issued after the individual ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that individual was acting in the capacity as director, chief executive officer or chief financial officer.

### ***Bankruptcies***

To the knowledge of the Company, no director, executive officer or control person of the Company (nor any personal holding company of any of such individuals): (i) is, as of the date of this Annual Information Form, or has been within the ten years before the date of this Annual Information Form, a director or executive officer of any company (including the Company) that, while that individual was acting in that capacity, or within a year of that individual ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (ii) has, within the ten years before the date of this Annual Information Form, 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 its assets.

### ***Penalties or Sanctions***

To the knowledge of the Company, no director, executive officer or control person of the Company (nor any personal holding company of any of such individuals) has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable holder of Voting Shares in deciding whether to vote for the proposed director.

### ***Conflicts of Interest***

To the knowledge of the Company, there are no known material existing or potential conflicts of interest among the Company’s directors, officers or other members of management as a result of their outside business interests except that certain of the Company’s directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Company and their duties as a director or officer of such other companies. See “Directors and Officers” and “Interest of Management and Others in Material Transactions”.

### ***Audit Committee***

Our Audit Committee consists of three directors, all of whom are persons determined by our Board to be both independent directors and all of whom are financially literate within the meaning of NI 52-110. Our Audit Committee is comprised of John E. Currie, chair of the Audit Committee, David Labistour, and Marcia Smith. Each of our Audit Committee members has an understanding of the accounting principles used to prepare financial statements and varied experience as to the general application of such accounting principles, as well as an understanding of the internal controls and procedures necessary for financial reporting. Our Board has adopted a written charter, attached at Appendix A, setting forth the purpose, composition, authority and responsibility of our Audit Committee, consistent with NI 52-110. The Audit Committee assists our Board in discharging its oversight of:

- the quality and integrity of our financial statements and related information;
- the independence, qualifications and appointment of our external auditor;
- our disclosure controls and procedures, internal control over financial reporting and management’s responsibility for assessing and reporting on the effectiveness of such controls;

- our risk management processes;
- monitoring and periodically reviewing our whistleblower policy; and
- transactions with our related parties.

Our Audit Committee has access to all of our books, records, facilities and personnel and may request any information about us as it may deem appropriate. It also has the authority, in its sole discretion and at our expense, to retain and set the compensation of outside legal, accounting or other advisors as necessary to assist in the performance of its duties and responsibilities. Our Audit Committee also has direct communication channels with the Chief Financial Officer and our external auditors to discuss and review such issues as our Audit Committee may deem appropriate.

#### *External Auditor Service Fee*

For Fiscal 2020 and Fiscal 2019, we incurred the following fees by our external auditor, PricewaterhouseCoopers LLP:

	<u>Fiscal 2020</u>	<u>Fiscal 2019</u>
Audit fees <sup>(1)</sup>		
.....	\$ 351,000	\$ 329,000
Audit related fees		
.....	\$ 159,000	\$ 235,000
All other fees not included above		
.....	\$ 164,000	\$ 116,000
<b>Total fees paid</b>		
.....	<u>\$ 674,000</u>	<u>\$ 680,000</u>

Notes:

<sup>(1)</sup> Fees presented based on a billing date.

## **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

In the ordinary course of business, the Company and its subsidiaries may become involved in various legal, administrative, regulatory and other proceedings, actions, claims and inquiries relating to our business. Management is not aware of any litigation outstanding, threatened or pending as of the date hereof by or against the Company or its subsidiaries which would be material to an investor of Subordinate Voting Shares. See further discussion under “Risk Factors”.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Other than as set out below or described elsewhere in this Annual Information Form, there are no material interests, direct or indirect, of any of our directors or executive officers, any Shareholder that beneficially owns, or controls or directs (directly or indirectly), more than 10% of any class or series of our outstanding voting securities, or any associate or affiliate of any of the foregoing persons, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect us or any of our subsidiaries.

In connection with the March 2019 Secondary Offering and Share Repurchase, the Company paid \$2.5 million in professional fees and other costs and was subsequently reimbursed by the selling shareholders participating in the Share Repurchase, including Berkshire.

## TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Subordinate Voting Shares and the Multiple Voting Shares is TSX Trust Company at its principal office in Vancouver, British Columbia.

## MATERIAL CONTRACTS

The following are the only material contracts of the Company that are in effect (other than certain agreements entered into in the ordinary course of business). The summaries describe the material attributes of each of the material contracts and are subject to, and qualified in their entirety by reference to, the relevant material contract, copies of which have been filed with the Canadian securities regulatory authorities and are available on SEDAR, at [www.sedar.com](http://www.sedar.com), under our profile. Investors are encouraged to read the full text of such material agreements.

- (a) the Coattail Agreement (described above under “Description of Capital Structure - Take-over Bid Protection”);
- (b) the Credit Agreement;
- (c) the Second Amended and Restated Registration Rights Agreement; and
- (d) the Investor Rights Agreement.

## CREDIT AGREEMENT

Our subsidiary, Aritzia LP, is party to a credit agreement with a syndicate of lenders effective as of October 3, 2016 and amended on June 28, 2018 (the “**Credit Agreement**”). The Credit Agreement is comprised of a revolving credit facility in the amount of \$100.0 million (the “**Revolving Credit Facility**”) and a \$75.0 million term credit facility (the “**Term Credit Facility**”) and together with the Revolving Credit Facility, the “**Credit Facilities**”) maturing on May 22, 2022. The Credit Facilities have no scheduled principal payments prior to maturity.

As at March 1, 2020, the aggregate amount outstanding under the Credit Facilities was \$75.0 million (\$nil under the Revolving Credit Facility and \$75.0 million under the Term Credit Facility). Subsequent to the year ended March 1, 2020, the Company drew \$100.00 million down under the Revolving Credit Facility. In addition, we also have letter of credit facilities of \$75.0 million, secured *pari passu* with the Credit Facilities. As at March 1, 2020, we had a total of \$28.5 million in outstanding letters of credit under the Credit Facilities and trade finance agreements.

Each of the Credit Facilities is available by way of loans with interest rates or acceptable fees that are based on banker’s acceptance rates, LIBO rates, Canadian prime rates or CDOR rates, plus a marginal interest rate from time to time in effect.

The Credit Agreement provides for guarantees by Aritzia Inc. and our direct and indirect wholly-owned subsidiaries (the “**Credit Facility Guarantors**”). Aritzia LP and each of the Credit Facility Guarantors provided a first priority lien over all assets, leased real property interests and inventory. Aritzia LP and each of the Credit Facility Guarantors pledged 100% of the equity interests each entity holds in the capital of their respective subsidiaries, as applicable. The Credit Agreement contains restrictive covenants in respect of Aritzia LP and each Credit Facility Guarantor that are customary for credit facilities of this nature.

## REGISTRATION RIGHTS

We are party to a Second Amended and Restated Registration Rights Agreement with certain of our Shareholders dated as of October 3, 2016 (the “**Second Amended and Restated Registration Rights Agreement**”). The Second Amended and Restated Registration Rights Agreement provides certain Shareholders (the “**Holders**”), including the Hill Shareholders, with registration rights in respect of any Subordinate Voting Shares held by them from time to time, including those issuable upon the conversion

in accordance with the Articles of any Multiple Voting Shares beneficially owned by a Holder (the **"Registrable Securities"**).

The Hill Shareholders may require us to effect a registration for a public offering in the jurisdiction(s) where we are a reporting issuer of no less than \$25 million of Registrable Securities (a **"Demand Registration"**). We are obligated to effect no more than four Demand Registrations in any twelve (12) month period. Notwithstanding any notice for a Demand Registration, we are entitled to postpone the filing of any offering document for up to 90 days if, in the good faith judgment of our Board, the requested Demand Registration could reasonably be expected to adversely affect us. The lead underwriter of any underwritten offering will have the right to limit, due to marketing reasons, the number of Registrable Securities to be qualified by such underwritten offering.

We are required to give prompt notice to all Holders of our intention to register any Registrable Securities for sale in a public offering, whether the registration is on our behalf or pursuant to a Demand Registration. Upon receiving such notice, any Holder may require that all or a specified part of the Registrable Securities held by such Holder be included in the proposed registration (a **"Piggyback Registration"**).

The Second Amended and Restated Registration Rights Agreement includes customary expense reimbursement and indemnity obligations on the part of Aritzia in respect of Demand Registrations and Piggyback Registrations.

## **INVESTOR RIGHTS AGREEMENT**

Berkshire, its Affiliates and the Hill Shareholders are currently parties to a shareholders' agreement dated as of October 3, 2016 (the **"Investor Rights Agreement"**). In March 2019, we completed the March 2019 Secondary Offering and Share Repurchase. As a result of the March 2019 Offering and the Share Repurchase, Berkshire and its Affiliates have no remaining equity interest in Aritzia. Accordingly, the rights of Berkshire and its Affiliates under the Investor Rights Agreement terminated on September 4, 2019 in accordance with the terms of the Investor Rights Agreement. The principal terms remaining in effect following the termination of Berkshire and its Affiliates' rights thereunder are summarized below.

### ***Board of Directors***

The Hill Group has the right to designate one director nominee for election to our Board for so long it beneficially owns, directly or indirectly, in the aggregate, 5% or more of the issued and outstanding Shares (on a non-diluted basis). Our Board shall not be comprised of more than nine directors unless agreed to by the Hill Group.

### ***Chair of our Board and Committees***

For so long as Brian Hill is a director he is entitled to be the chair (the **"Chair"**) of our Board. Upon Brian Hill ceasing to be a director, or in the event that Brian Hill does not wish to be the Chair, then the Chair shall be appointed by our Board.

So long as the Hill Group beneficially owns, directly or indirectly, in the aggregate, 5% or more of the issued and outstanding Shares (on a non-diluted basis), the Hill Group shall be entitled to have its director nominee serve on the Board's compensation and nominating committee, provided that its director nominee is not one of our officers or a Member of the Immediate Family of any of our officers.

### ***Pre-Emptive Rights***

In the event of any distribution or issuance, including by way of a share dividend (a **"Distribution"**) of our voting shares (other than Multiple Voting Shares, Subordinate Voting Shares issued upon the conversion of Multiple Voting Shares or voting shares issued pursuant to the exercise of a right attached to any of our securities issued prior to the Distribution) (the **"Voting Shares"**) or of our securities convertible or exchangeable into Voting Shares or giving the right to acquire Voting Shares (other than options or other securities issued under compensatory plans or other plans to purchase Voting Shares or any other securities in favour of our management, directors, employees or consultants) (the **"Convertible Securities"**

and, together with the Voting Shares, the “**Distributed Securities**”), we shall issue to the holder(s) of Multiple Voting Shares rights to subscribe for that number of Multiple Voting Shares, or, as the case may be, for securities convertible or exchangeable into or giving the right to acquire, on the same terms and conditions, including subscription or exercise price, as applicable, *mutatis mutandis* (except for the ultimate underlying securities which shall be Multiple Voting Shares), as those stipulated in the Convertible Securities, that number of Multiple Voting Shares, respectively, which carry, in the aggregate, a number of voting rights sufficient to fully maintain the proportion of total voting rights (on a fully diluted basis) associated with the then outstanding Multiple Voting Shares (the “**Rights to Subscribe**”).

The Rights to Subscribe shall be issued to the holder(s) of Multiple Voting Shares in a proportion equal to their respective holdings of Multiple Voting Shares and shall be issued concurrently with the completion of the Distribution of the applicable Distributed Securities. To the extent that any such Rights to Subscribe are exercised, in whole or in part, the securities underlying such Rights to Subscribe (the “**Subscription Securities**”) shall be issued and must be paid for concurrently with the completion of the Distribution and payment to us of the issue price for the Distributed Securities, at, subject to certain limitations, the lowest price permitted by the applicable securities and stock exchange regulations and subject (as to such price) to the prior consent of the exchanges.

The privileges attached to Subscription Securities which are securities convertible or exchangeable into or giving the right to acquire Multiple Voting Shares shall only be exercisable if and whenever the same privileges attached to the Convertible Securities are exercised and shall not result in the issuance of a number of Multiple Voting Shares which increases the proportion (as in effect immediately prior to giving effect to the completion of the Distribution) of total voting rights associated with the Multiple Voting Shares after giving effect to the exercise by the holder(s) of the privileges attached to such Convertible Securities.

The right to receive Rights to Subscribe as described above, and the legal or beneficial ownership of the Rights to Subscribe, may be assigned in whole or in part among Permitted Holders, provided that written notice of any such assignment shall be sent promptly to us and the other holders of Multiple Voting Shares.

Holders of Subordinate Voting Shares have no pre-emptive or subscription rights to purchase any of our securities. An issuance of participating (equity) securities will not be rendered invalid due to any failure by us to comply with the foregoing.

### **Term**

The rights of the Hill Group under the Investor Rights Agreement will terminate on the date after the first continuous 180-day period during which the Shares owned, directly or indirectly, in the aggregate, by the Hill Group constitutes less than 5% of all of the issued and outstanding Shares (on a non-diluted basis). In addition, the Investor Rights Agreement will terminate on the earlier of: (a) the date on which the Investor Rights Agreement is terminated by written agreement of the Permitted Holders and us; and (b) our dissolution or liquidation.

## **INTERESTS OF EXPERTS**

The Company's auditor is PricewaterhouseCoopers LLP, Chartered Professional Accountants, located at Vancouver, British Columbia. PricewaterhouseCoopers LLP have prepared an independent auditor's report dated May 28, 2020 in respect of the consolidated financial statements of the Company as at March 1, 2020 and March 3, 2019 and for each of the years then ended. PricewaterhouseCoopers LLP has advised that they are independent with respect to the Company within the meaning of the Code of Professional Conduct of the Chartered Professional Accountants of British Columbia.

## **ADDITIONAL INFORMATION**

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of our Company's securities and securities authorized for issuance under equity compensation plans, will be contained in the Company's management information circular for the 2019 annual meeting of

Shareholders. Additional financial information is provided in the Company's audited annual consolidated financial statements and management's discussion and analysis of our financial condition and results of operations for our most recently completed fiscal year ended March 3, 2019. Such documentation, as well as additional information relating to the Company, may be found under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).



## APPENDIX A – AUDIT COMMITTEE CHARTER

This charter (the “**Charter**”) sets forth the purpose, composition, responsibilities and authority of the Audit Committee (the “**Committee**”) of the board of directors (the “**Board**”) of Aritzia Inc. (the “**Company**”).

### 1. Statement of Purpose

The purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities with respect to:

- financial reporting and related financial disclosure;
- the implementation of risk management and internal control over financial reporting and disclosure controls and procedures; and
- external and internal audit processes.

### 2. Committee Membership

The Committee shall consist of as many directors of the Board as the Board may determine (the “**Members**”), but in any event, not less than 3 (three) Members. Each Member shall meet the criteria for independence and financial literacy established by applicable laws and the rules of any stock exchanges upon which the Company’s securities are listed, including National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”) subject to any exceptions permitted under NI 52-110. NI 52-110 also requires that to be independent, a Member be free of any relationship which could, in the view of the Board, reasonably interfere with the exercise of a Member’s independent judgment.

Members shall be appointed by the Board, taking into account any recommendation that may be made by the compensation and nominating committee of the Board (the “**C&N Committee**”). Any Member may be removed and replaced at any time by the Board, and will automatically cease to be a Member if he or she ceases to meet the qualifications required of Members. The Board will fill vacancies on the Committee by appointment from among qualified directors of the Board, taking into account any recommendation that may be made by the C&N Committee. If a vacancy exists on the Committee, the remaining Members may exercise all of its powers so long as there is a quorum.

#### **Chair**

The Board will designate one of the independent directors of the Board to be the chair of the Committee (the “**Chair**”), taking into account any recommendation that may be made by the C&N Committee.

#### **Qualifications**

All Members shall be independent and financially literate as described above. Members must have suitable experience and must be familiar with auditing and financial matters.

#### **Attendance of Ex Officio Members, Management and other Persons**

The Committee may invite, at its discretion, senior executives of the Company or such persons as it sees fit to attend meetings of the Committee and to take part in the discussion and consideration of the affairs of the Committee. The Committee may also require senior executives or other employees of the Company to produce such information and reports as the Committee may deem appropriate in the proper exercise of its duties. Senior executives and other employees of the Company shall attend a Committee meeting if invited by the Committee. The Committee will meet without senior executives in attendance for a portion of any meeting of the Committee.

### ***Delegation***

Subject to applicable law, the Committee may delegate any or all of its functions to any of its Members or any sub-set thereof, or other persons, from time to time as it sees fit.

## **3. Committee Operations**

### ***Meetings***

The Chair, in consultation with the other Members, shall determine the schedule and frequency of meetings of the Committee. Meetings of the Committee shall be held at such times and places as the Chair may determine. To the extent possible, advance notice of each meeting will be given to each Member unless all Members are present and waive notice, or if those absent waive notice before or after a meeting. Members may attend all meetings of the Committee either in person or by telephone, video or other electronic means. Powers of the Committee may also be exercised by written resolutions signed by all Members.

At the request of the external auditors of the Company, the Chief Executive Officer or the Chief Financial Officer of the Company or any Member, the Chair shall convene a meeting of the Committee. Any such request shall set out in reasonable detail the business proposed to be conducted at the meeting so requested.

### ***Agenda and Reporting***

To the extent possible, in advance of every regular meeting of the Committee, the Chair shall prepare and distribute, or cause to be prepared and distributed, to the Members and others as deemed appropriate by the Chair, an agenda of matters to be addressed at the meeting together with appropriate briefing materials. The Committee may require senior executives and other employees of the Company to produce such information and reports as the Committee may deem appropriate in order for it to fulfill its duties.

The Chair shall report to the Board on the Committee's activities since the last Board meeting. However, the Chair may report orally to the Board on any matter in his or her view requiring the immediate attention of the Board. Minutes of each meeting of the Committee shall be circulated to the Directors upon request following approval of the minutes by the Members. The Committee shall oversee the preparation of, review and approve the applicable disclosure for inclusion in the Company's annual information form.

### ***Secretary and Minutes***

The secretary of the Company may act as secretary of the Committee unless an alternative secretary is appointed by the Committee. The secretary of the Committee shall keep regular minutes of Committee proceedings and shall circulate such minutes to all Members (and to any other Director that requests that they be sent to him or her) on a timely basis.

### ***Quorum and Procedure***

A quorum for any meeting of the Committee will be a simple majority. The procedure at meetings will be determined by the Committee. The powers of the Committee may be exercised at a meeting where a quorum is present or by resolution in writing signed by all Members. In the absence of the Chair, the Committee may appoint one of its other Members to act as Chair of any meeting.

Each Member will have one vote and decisions of the Committee will be made by an affirmative vote of the majority. The Chair will not have a deciding or casting vote in the case of an equality of votes.

### ***Exercise of Power between Meetings***

Between meetings, the Chair, or any Member designated for such purpose by the Committee, may, if required in the circumstance, exercise any power delegated by the Committee on an interim basis.

The Chair or other designated Member will promptly report to the other Members in any case in which this interim power is exercised.

#### **4. Duties and Responsibilities**

The Committee is responsible for performing the duties set out below and any other duties that may be assigned to it by the Board as well as any other functions that may be necessary or appropriate for the performance of its duties.

##### ***Financial Reporting and Disclosure***

- Review and recommend to the Board for approval, the audited annual financial statements, including the auditors' report thereon, the quarterly financial statements, management discussion and analysis, financial reports, and other applicable financial disclosure, prior to the public disclosure of such information.
- Review and recommend to the Board for approval, where appropriate, financial information contained in any prospectuses, annual information forms, annual reports to shareholders, management proxy circulars, material change disclosures of a financial nature and similar disclosure documents prior to the public disclosure of such documents or information.
- Review with senior executives of the Company, and with external auditors, significant accounting principles and disclosure issues and alternative treatments under International Financial Reporting Standards ("IFRS"), with a view to gaining reasonable assurance that financial statements are accurate, complete and present fairly the Company's financial position and the results of its operations in accordance with IFRS, as applicable.
- Seek to ensure that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements, the Company's disclosure controls and procedures and periodically assess the adequacy of those procedures and recommend any proposed changes to the Board for consideration.
- Review and assess the manner in which management develops interim financial information, and the nature and extent of internal and external auditor involvement.

##### ***Internal Controls and Internal Audit***

- Review the adequacy and effectiveness of the Company's internal control and management information systems through discussions with senior executives of the Company and the external auditor relating to the maintenance of (i) necessary books, records and accounts in sufficient detail to accurately and fairly reflect the Company's transactions; (ii) effective internal control over financial reporting; and (iii) adequate processes for assessing the risk of material misstatements in the financial statements and for detecting control weaknesses or fraud. From time to time the Committee shall assess any requirements or changes with respect to the establishment or operations of the internal audit function having regard to the size and stage of development of the Company at any particular time.
- Satisfy itself, through discussions with senior executives of the Company that the adequacy of internal controls, systems and procedures has been periodically assessed in accordance with regulatory requirements and recommendations.
- Oversee the work of the internal audit function, including organization, operations and independence.
- Review and discuss the Company's major financial risk exposures and the steps taken to monitor and control such exposures, including the use of any financial derivatives and hedging activities.
- Review and make recommendations to the Board regarding, the adequacy of the Company's risk management policies and procedures with regard to identification of the Company's principal risks

and implementation of appropriate systems and controls to manage such risks including an assessment of the adequacy of insurance coverage maintained by the Company.

- Review all material related party transactions other than those delegated to a special committee or independent committee of the Board against applicable legal and regulatory requirements, discuss with management the business rationale for the transactions, review applicable disclosures and report to the Board on all such transactions, if any, each quarter.
- Review and discuss with the Company's independent auditors the auditors' evaluation of the Company's identification of, accounting for, and disclosure of its relationships and transactions with related parties, including any significant matters arising from the audit in connection therewith.

### ***External Audit***

- Recommend to the Board a firm of external auditors to be nominated for appointment as the external auditor of the Company.
- Ensure the external auditors report directly to the Committee on a regular basis.
- Review the independence of the external auditors.
- Review and recommend to the Board the fee, scope and timing of the audit and other related services rendered by the external auditors.
- Review the audit plan of the external auditors prior to the commencement of any audit.
- Establish and maintain a direct line of communication with the Company's external auditors.
- Meet in camera with only the auditors, senior executives of the Company, or the Members, where and to the extent that, such parties are present, at any meeting of the Committee.
- Oversee the work of the external auditors of the Company with respect to preparing and issuing an audit report or performing other audit or review services for the Company, including the resolution of issues between senior executives of the Company and the external auditors.
- Review the results of the external audit and the external auditor's report thereon, including, discussions with the external auditors as to the quality of accounting principles used and any alternative treatments of financial information that have been discussed with senior executives of the Company and any other matters.
- Review any material written communications between senior executives of the Company and the external auditors and any significant disagreements between the senior executives and the external auditors.
- Discuss with the external auditors their perception of the Company's financial and accounting personnel, records and systems, the cooperation which the external auditors received during their course of their review and availability of records, data and other requested information and any recommendations with respect thereto.
- Discuss with the external auditors their perception of the Company's identification and management of risks, including the adequacy or effectiveness of policies and procedures implemented to mitigate such risks.
- Review the reasons for any proposed change in the external auditors which is not initiated by the Committee or Board and any other significant issues related to the change, including the response of the incumbent auditors, and enquire as to the qualifications of the proposed auditors before making its recommendations to the Board.
- Review annually a report from the external auditors in respect of their internal quality-control procedures, any material issues raised by the most recent internal quality-control review, or peer review of the external auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the external auditors, and any steps taken to address any such issues.

### ***Associated Responsibilities***

- Monitor and periodically review the Whistleblower Policy of the Company and associated procedures for:
  - the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and
  - the confidential, anonymous submission by directors, officers and employees of the Company of concerns regarding questionable accounting or auditing matters; and
  - if applicable, any violations of applicable law, rules or regulations that relates to corporate reporting and disclosure, or violations of the Company's Code of Conduct.
- Review and approve the Company's hiring policies regarding employees and partners, and former employees and partners, of the present and former external auditors of the Company.

### ***Non-Audit Services***

- Pre-approve all non-audit services to be provided to the Company or any subsidiary entities by its external auditors or by the external auditors of such subsidiary entities. The Committee may delegate to one or more of its Members the authority to pre-approve non-audit services but pre-approval by such Member or Members so delegated shall be presented to the full Committee at its first scheduled meeting following such pre-approval.

### ***Other Duties***

- Direct and supervise the investigation into any matter brought to its attention within the scope of the Committee's duties. Perform such other duties as may be assigned to it by the Board from time to time or as may be required by applicable law.

## **5. The Committee Chair**

In addition to the responsibilities of the Chair described above, the Chair has the primary responsibility for overseeing and reporting on the evaluations to be conducted by the Committee, as well as monitoring developments with respect to accounting and auditing matters in general and reporting to the Committee on any related significant developments.

## **6. Committee Evaluation**

The performance of the Committee shall be evaluated by the Board as part of its regular evaluation of the Board committees.

## **7. Access to Information and Authority to Retain Independent Advisors**

The Committee shall be granted unrestricted access to all information regarding the Company that is necessary or desirable to fulfill its duties and all directors of the Company, officers and employees will be directed to cooperate as requested by Members. The Committee has the authority to retain, at the Company's expense, independent legal, financial, and other advisors, consultants and experts to assist the Committee in fulfilling its duties and responsibilities, including sole authority to retain and to approve their fees. The Committee shall select such advisors, consultants and experts after taking into consideration factors relevant to their independence from management and other relevant considerations.

The Committee shall discharge its responsibilities, and shall assess the information provided by the Company's management and the external advisers, in accordance with its business judgment. Members are entitled to rely, absent knowledge to the contrary, on the integrity of the persons and organizations from whom they receive information, and on the accuracy and completeness of the information provided. Nothing in this Charter is intended or may be construed as imposing on any

member of the Committee or the Board a standard of care or diligence that is in any way more onerous or extensive than the standard to which the directors are subject under applicable law.

The Committee also has the authority to communicate directly with internal and external auditors. While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate or comply with IFRS and other applicable requirements. These are the responsibilities of the senior executives of the Company responsible for such matters and the external auditors. The Committee, the Chair and any Members identified as having accounting or related financial expertise are members of the Board, appointed to the Committee to provide broad oversight of the financial, risk and control related activities of the Company, and are specifically not accountable or responsible for the day to day operation or performance of such activities. Although the designation of a Member as having accounting or related financial expertise for disclosure purposes is based on that individual's education and experience, which that individual will bring to bear in carrying out his or her duties on the Committee, such designation does not impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the Committee and Board in the absence of such designation. Rather, the role of a Member who is identified as having accounting or related financial expertise, like the role of all Members, is to oversee the process, not to certify or guarantee the internal or external audit of the Company's financial information or public disclosure. This Charter is not intended to change or interpret the constating documents of the Company or applicable law or stock exchange rule to which the Company is subject, and this Charter should be interpreted in a manner consistent with all such applicable laws and rules. Certain of the provisions of this Charter may be modified or superseded by the provisions of the investor rights agreement dated October 3, 2016 (the "**Investor Rights Agreement**"). In the event of a conflict between this charter and the Investor Rights Agreement, the Investor Rights Agreement shall prevail.

The Board may, from time to time, permit departures from the terms of this Charter, either prospectively or retrospectively. This Charter is not intended to give rise to civil liability on the part of the Company or its Directors or officers to shareholders, security holders, customers, suppliers, competitors, employees or other persons, or to any other liability whatsoever on their part.

## **8. Review of Charter**

The Committee shall periodically review and assess the adequacy of this Charter and recommend any proposed changes to the Board for consideration.